



HORIZONTE MINERALS PLC

**ANNUAL INFORMATION FORM
FOR THE FISCAL YEAR ENDED 31 DECEMBER 2020**

31 March 2021

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GENERAL

Unless otherwise noted herein, information in this annual information form (the “**Annual Information Form**” or “**AIF**”) of Horizonte Minerals plc (“**Horizonte**”, or the “**Company**”) is presented as at 31 December 2020. In this AIF, references to “£” are to British pounds and to “pence” or “p” are to British pence, and all references to “\$” are to Canadian dollars. The closing mid-rate on 30 March 2021, for the purchase of one British pound using Canadian dollars, as published in the Financial Times of London, was \$ 1.73 (one Canadian dollar equalled £ 0.58). All financial information in this Annual Information Form is prepared in accordance with International Financial Reporting Standards (“**IFRS**”).

All references in this AIF to the Company also include references to all subsidiaries of the Company as applicable, unless the context requires otherwise.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

Except for statements of historical fact relating to the Company, certain information contained in this Annual Information Form and incorporated by reference herein constitutes “forward-looking information” under Canadian securities legislation. Forward-looking information includes, but is not limited to, statements with respect to the potential of the Company’s current or future property interests; the future price of gold, nickel and other minerals; the success of exploration and mining activities; cost and timing of future exploration, production and development; the estimation of mineral resources and mineral reserves; the realisation of mineral resource and mineral reserve estimates; the results of the feasibility and prefeasibility studies for the Company’s Araguaia and Vermelho mineral projects, including NAV, IRR, anticipated capital and operating costs, life of mine, projected production and other financial and operational metrics; and requirements for additional capital and other statements relating to the financial and business prospects of the Company. Generally, forward-looking information can be identified by the use of forward-looking terminology such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”. In addition, statements relating to “mineral reserves” or “mineral resources” are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the mineral resources and mineral reserves described can be profitably mined in the future. Forward-looking information is based on the reasonable assumptions, estimates, analysis and opinions of management and/or the Company’s Qualified Persons made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances at the date that such statements are made, and are inherently subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to risks related to: exploration and mining risks, Teck Resources Limited’s (“**Teck**”) 12.7% ownership of the Company’s share capital; competition from competitors with greater capital; the Company’s lack of experience with respect to development-stage mining operations; fluctuations in metal prices; uninsured risks; environmental and other regulatory requirements; uncertainties inherent to the results of economic studies, including the feasibility and prefeasibility studies for the Company’s key projects; exploration, mining and other licences; the Company’s future payment obligations; potential disputes with respect to the Company’s title to, and the area of, its mining concessions; the Company’s dependence on its

ability to obtain sufficient financing in the future; the Company's dependence on its relationships with third parties; the Company's joint ventures; the potential of currency fluctuations and political or economic instability in countries in which the Company operates; currency exchange fluctuations; the Company's ability to manage its growth effectively; the trading market for the ordinary shares (the "**Ordinary Shares**") of the Company; uncertainty with respect to the Company's plans to continue to develop its operations and new projects; the Company's dependence on key personnel; possible conflicts of interest of directors and officers of the Company, and the legal and regulatory framework within which the Company operates.

Although management of the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

TECHNICAL INFORMATION AND DISCLOSURE FOR MINERAL PROJECTS

This AIF contains disclosure regarding the Company's mineral resources. Mineral resources are not mineral reserves and do not have demonstrated economic viability. Mineral resources may never be converted to mineral reserves.

The disclosure in this AIF of scientific or technical information contained herein is based on the technical reports described below under "Documents Incorporated by Reference", which was prepared in accordance with National Instrument 43-101 – Standards for Disclosure for Mineral Projects of the Canadian Securities Administrators ("**NI 43-101**") by or under the supervision of "qualified persons" under NI 43-101, as shown below.

DOCUMENTS INCORPORATED BY REFERENCE

Information concerning the Company's material mineral projects has been summarized herein and by incorporating by reference the following documents in this AIF:

- The Amended Technical Report dated November 2018 ('the Report') prepared in accordance with NI 43-101 for the Project titled "Feasibility Study for the Araguaia Nickel Project, Federative Republic of Brazil" and prepared by Snowden Mining Industry Consultants Pty Ltd ('Snowden') under the guidance of the Qualified Persons. Qualified Persons: Mr Frank Blanchfield, B.Eng, FAusIMM, Mr Andrew Ross, BSc (Hons), MSc, FAusIMM, Matheus Palmieri BSc, MSc, MAusIMM CP(Geo), and Mr Nicholas Barcza, BSc (Eng.), MSc (Eng.), PhD, Pr.Eng. (ECSA), HLFSAIMM; and
- The Amended Technical Report dated October 2019 ('the Report') prepared in accordance with NI 43-101 for the Project titled "Pre-Feasibility Study for the Vermelho Project, Federative Republic of Brazil" and prepared by Snowden Mining Industry Consultants Pty Ltd ('Snowden') under the guidance of the Qualified Persons. Mr Anthony Finch, P Eng. (APEGBC), B.Eng, B Econ, MAusIMM (CP Mining), Principal Consultant, Snowden Mining Industry Consultants Pty Ltd; Mr Andrew Ross, BSc (Hons), MSc, FAusIMM, Principal Consultant, Snowden Mining Industry Consultants Pty Ltd; Simon Walsh, BSc (Extractive Metallurgy and Chemistry), MBA, MAusIMM (CP), GAICD, Principal Metallurgist, Simulus (Engineers & Laboratories) Pty Ltd.

CORPORATE STRUCTURE

The Company was incorporated in England and Wales under the Companies Act 1985 (the "**1985 Act**") as a public company with limited liability under the 1985 Act on 16 January 2006 with registration number 5676866. The address of the Company's head office and registered office is at Rex House, 4-12 Regent Street, London, SW1Y 4RG, United Kingdom.

In March 2006, the Company adopted a new set of Articles of Association (the "**Articles**") to replace the articles it adopted on incorporation, which, among other things, reduced the authorised but unissued share capital of the Company from £3,000,000 divided into 300,000,000 Ordinary Shares to £1,000,000 divided into 100,000,000 Ordinary Shares.

The Company amended the Articles on 28 May 2009 to update them to reflect recent legislative changes in the United Kingdom including provisions relating to electronic communications to and from the Company (including in respect of the appointment of proxies), the requirement for directors to give reasons for any refusal to register a transfer of shares, the fact that all general meetings (other than annual general meetings) can be held on 14 days notice and provisions relating to notification by directors of conflicts of interest and the authorisation of directors'

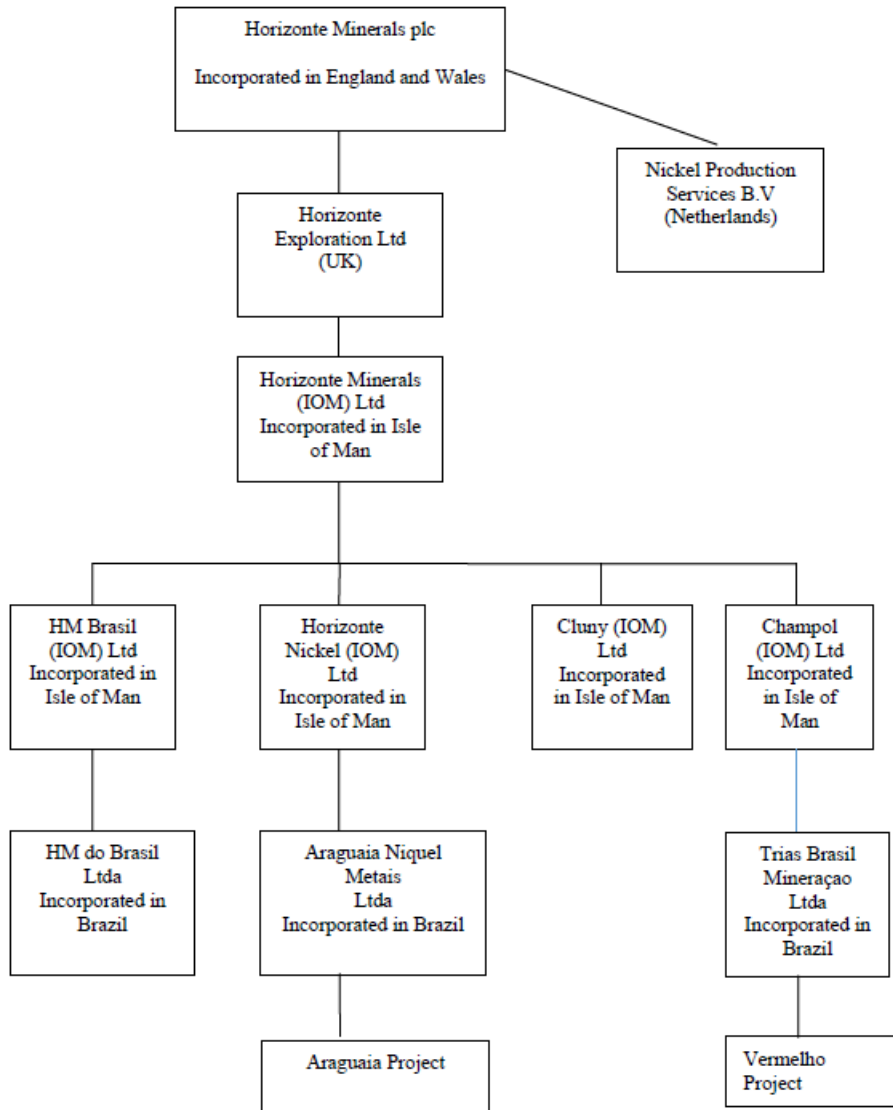
conflicts of interests (including entitling the board of directors of the Company (the “**Board**”) to impose on a director terms for resolving the conflict).

Further changes to the Articles were made on 13 August 2010 to remove the concept of authorised share capital.

The principal legislation under which the Company operates and under which the Ordinary Shares are regulated is the Companies Act 2006 of England and Wales (the “**2006 Act**”). Where issues of Ordinary Shares were made prior to 28 May 2009, the principal legislation under which those shares were issued was the 1985 Act. The Company is also obliged to comply with specific obligations arising from other laws that relate to its activities. The liability of the shareholders is limited.

The following chart illustrates the inter-corporate relationships of the Company and each of its subsidiaries. Each subsidiary is 100% beneficially-owned by the Company (subject to certain nominee arrangements as described below).

Horizonte Corporate Structure



- i) Windwood Nominees Limited ("**Windwood**") holds the sole issued share in the capital of Horizonte Minerals (IOM) Limited ("**HMIOM**") as a nominee of Horizonte Exploration Limited ("**HE Limited**") and is entitled to exercise voting rights in respect of that share. Windwood must exercise all voting rights in accordance with the direction of HE Limited, under the terms of a trust declaration dated 5 June 2009.
- (ii) One of the 25,000,000 issued and outstanding shares in HM do Brasil Ltda is registered in the name of Antonio Valerio da Silva as nominee of HM do Brasil Ltda.
- (iii) One of the 1,000,000 shares in Trias Brasil Mineração is registered in the name of Rodrigo Otavio Branco as nominee of Champol (IOM) Limited.
- (iv) One of the 109,999,000 issued and outstanding shares in Araguaia Niquel Mineração Ltda. is registered in the name of Antonio Valerio da Silva.

GENERAL DEVELOPMENT OF THE BUSINESS

Recent Developments

On 25 February 2021, the Company announced that it was awarded a construction license package for the development of the power lines for the Araguaia project. The approved package includes the preliminary licence, the construction licence, and the related fauna and flora licences. These were granted by the Pará State Environmental Agency, Secretaria de Meio Ambiente e Sustentabilidade. This licence package permits the implementation of a 120km, 230KV power line, and respective substation. The power line will connect the Araguaia project to the national power grid and will cover the full power requirement for the project at nameplate capacity.

On February 19, 2021, the Company announced the completion of the placing of a total of 162,718,353 new Ordinary Shares at a placing price of 7.5 pence per Ordinary Share for gross proceeds of approximately £12.2 million.

Highlights of the Company's past three years

Fiscal Year 2020

2020 was dominated by the Covid -19 pandemic, but Horizonte continued to advance its flagship Araguaia project and completed some key milestones during the year.

On 1 June 2020, Ms Sepanta Dorri was appointed to the board of Directors, replacing Alex Christopher and bringing with her a wealth of relevant experience in her capacity as Vice President, corporate development of Teck Resources.

On 12 August 2020, the Company executed a mandate to arrange a senior secured project finance facility of up to US\$325 million to fund the construction and development of its Araguaia ferro-nickel project. The execution of the mandate is a key milestone in the project financing process for the development of the Araguaia project. The banks under mandate: BNPP, ING, Mizuho, Natixis and Société Générale have extensive experience in providing project financing to greenfield mining projects and were chosen as Mandated Lead Arrangers due to their extensive Latin American project finance experience and the strength of their mining teams.

On 4 December 2020, the Company announced it had successfully completed a value engineering exercise on the Araguaia project, demonstrating improvements to the plant design

flowsheet to optimise performance. The operational readiness plan being well advanced and all permits in place for commencement of construction.

Fiscal Year 2019

On 14 January 2019, the company announced the award of the Construction Licence ("LI") awarded for Araguaia Project, a key milestone for permitting the construction of the processing plant and infrastructure.

On 14 March 2019, the Company announced results from metallurgical and smelting test work which confirmed the ability to produce ferronickel from Vermelho's saprolite and transition ore.

On 4 June 2019, the Company announced results from tests undertaken to confirm ability to produce nickel and cobalt sulphate from limonite ore at Vermelho.

On 13 August 2019, the Company announced release of an initial NI 43-101 Mineral Resource Estimate for the Serra do Tapa nickel deposit.

On 29 August 2019, the Company announced the signing of a US\$25 million royalty agreement with Orion Mine Finance to begin development of Araguaia.

On 17 October 2019, the Company announced the results of its Vermelho pre-feasibility study generating an estimated base case post tax NPV of US\$1.7 billion and confirming Vermelho as low cost, long life nickel sulphate project.

Fiscal Year 2018

On 11 January 2018, the company announced it had closed the Canadian portion of the fundraise for £2.2m, bringing the total funds raised as part of the 2017 fund raise to £9.2m.

On 11 April 2018, the Company announced it had received the Water Permit approval for commercial mining and processing operations at Araguaia

On 9 May 2018, the Company reported an initial NI 43-101 Mineral Resource Estimate for the Vermelho nickel-cobalt project

On 29 October 2018, the Company announced the filing of the Vermelho Pre-Feasibility NI 43-101 Technical Report on SEDAR, declaring a mineral reserve of 141.3 Mt. Araguaia Feasibility Study had been published demonstrating the viability of the project and recommending advancement of it to detailed design and construction.

On 31 October 2018, the Company announced appointment of Endeavour Financial as the Project Finance Advisor to assist in securing project finance for Araguaia

On 12 December 2018, the Company announced the filing of Araguaia FS NI 43-101 Technical Report on SEDAR.

DESCRIPTION OF BUSINESS

General

The Company is a mineral exploration and development company currently focused on the development of the Araguaia nickel laterite project and the nearby Vermelho Nickel-Cobalt project, both located in Brazil. A description of the Company's mineral properties is set out below.

Mineral Properties

Araguaia Project

The Araguaia nickel project ("**Araguaia Nickel Project**" or "**Araguaia Project**" or "**Araguaia**" or "**the Project**"). Araguaia is located on the eastern margin of the State of Pará, north-eastern Brazil, to the north of the town of Conceição do Araguaia. See "Material Properties" below.

Vermelho Nickel-Cobalt Project

The Vermelho nickel-cobalt project ("Vermelho") was acquired from Vale in late 2017. It is located in the eastern part of the Carajás Mining district and approximately 80 kilometres north west of the Company's Araguaia North ferronickel project. See "Material Properties" below.

Serra do Tapa

The Company also owns a 100% interest in the Serra do Tapa nickel project, an advanced mineral exploration area located near Carajas, in the State of Para, Brazil. The project is located approximately 600 kilometres south of the Para state capital of Belem.

Contracts

For a summary of the material contracts applicable to the Company, see the "Material Contracts" section below. The Company is not aware of any aspect of the business reasonably expected to be affected in the current financial year by renegotiation or termination of contracts.

Employees

During 2020 the Company had an average total of 37 employees, including the non-executive directors. The number of employees varies according to the on-going field programmes at Araguaia.

The Company is dependent on the services of key executives, including the Chairman and the Chief Executive Officer of the Company and a small number of highly skilled and experienced executives and personnel. See "Risk Factors – Dependence on key personnel".

Foreign Operations

The Company's Araguaia project together with VDS and Vermelho are located in Brazil. Any changes in regulations or shifts in political attitudes in Brazil, or any other jurisdictions in which the Company has projects from time to time, are beyond the control of the Company and may adversely affect its business. Future development and operations may be affected in varying degrees by such factors as government regulations (or changes thereto) with respect to the restrictions on production, export controls, income taxes, expropriation of property, repatriation of profits, environmental legislation, land use, water use, land claims of local people, mine safety

and receipt of necessary permits. The effect of these factors cannot be accurately predicted. See “Risk Factors – Operations in Brazil” and “Operations in Brazil”.

Environmental

All phases of the Company’s operations are subject to environmental regulation in the jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste.

To date, applicable environmental legislation has had no material financial or operational effects upon the capital expenditures or operations of the Company. See also “Risk Factors – Environmental and other regulatory requirements”.

To ensure proper environmental stewardship on its projects, the Company conducts certified baseline studies prior to all drill programs and ensures that areas explored are properly maintained and conserved. The Company subscribes to the philosophy that environmentally responsible exploration begins with the design and application of adequate environmental policy controls tailored to adapt to new projects and environments.

Competitive Conditions

The mining industry is intensely competitive in all its phases. The Company competes with many other mining and mineral exploration companies who have greater financial resources and experience. The market price of precious metals and other minerals is volatile and cannot be controlled. See “Risk Factors – The Company may face competition from competitors with much greater capital”.

MATERIAL PROPERTIES

Araguaia

All scientific and technical information contained in this AIF on Araguaia has been prepared by or under the supervision of Mr Frank Blanchfield BEng(Min), FAusIMM(CP), a “qualified person” within the meaning of NI 43-101. For further details on the Araguaia Project, please refer to “Feasibility Study (‘FS’) for the Araguaia Nickel Project Federative Republic of Brazil Amended NI 43-101 Technical Report”, dated November 2018 available on the Company’s website at www.horizonteminerals.com.

The following summary is qualified by the complete Report which is available on SEDAR at www.sedar.com. Where appropriate, information has been updated to reflect the current situation of the Company.

Araguaia Feasibility Study Detailed Information

Highlights

- Araguaia is an advanced nickel project being developed by Horizonte as a ferronickel operation in Brazil. Araguaia has the following key characteristics:
 - 100% owned by Horizonte
 - Located south of the Carajás Mining district in northern Brazil, with good access to infrastructure

- Transaction with Glencore completed in 2016 to acquire the adjacent Vale dos Sonhos deposit places the enlarged project among the largest high-grade undeveloped nickel saprolite projects globally
- Feasibility Study ('FS') issued during Q4 2018, has demonstrated:
 - Positive economics based on a 28-year life of mine ('LOM') producing ~14,500 tonnes per annum ('tpa') nickel in ferro-nickel from a single line Rotary Kiln Electric Furnace ('RKEF')
- The FS shows that over US\$1.6 billion of free cash flow is generated over the LOM using a nickel price of US\$14,000/t
- The cashflows predicted in the FS give an NPV₈ of US\$401M and IRR of 20.1% using the base case of US\$14,000, increasing to US\$740M and 28.1% using the consensus price of US\$16,800
- The mining and processing schedule in the FS delivers an average nickel grade of 1.89% for the first 10 years of production
- The FS C1 cost of US\$8,193/t Ni positions Araguaia in the lower quartile of Nickel Laterite cost curve, C1 cost of US\$6,784/t Ni years 1-10
- The FS discloses Proven and Probable Mineral Reserves of 27.5 Mt grading 1.69% Ni using a cut-off of 1.4% Ni.
- The project has an established permitting pathway with Preliminary Licence successfully obtained and Construction Licence due in Q1 2019

Section 1 - Project Summary

The Project will comprise an open pit nickel laterite mining operation that proposes to mine 27.5 million tonnes ('Mt') Mineral Reserve of a 119 Mt Mineral Resource to produce an average of 52,000 tonnes of ferronickel ('FeNi') (containing an average of 14,500 tonnes of nickel) per year, for the 28-year mine life. The metallurgical process comprises a single line Rotary Kiln Electric Furnace (RKEF) to extract FeNi from the laterite ore. The RKEF plant and project infrastructure will be constructed over a 31-month period. After an initial ramp-up period, the plant will reach full capacity of approximately 900,000 tonnes of dry ore feed per year. The FeNi product will be transported by road to the port of Vila do Conde for sale to overseas customers.

The process plant, mining, infrastructure and utilities engineering has been designed to support capital and operating cost estimates to the Association for the Advancement of Cost Engineering ('ACE') class 3 standard. This means that capital and operating costs estimates have a combined accuracy of - 10%+15%. The capital and operating costs are as of Q3 2018.

The results of the FS demonstrate that Araguaia is viable for the assumptions used, the key findings are highlighted in Table 1, below.

Table 1 Araguaia FS Key Outcomes

Item	Unit	Nickel price basis (US\$/t Ni)	
		Base (14,000)	CIBC (16,800)
Net cash flow	US\$M	1,572	2,582
NPV ₈	US\$M	401	740
IRR	%	20.1	28.1
Breakeven (NPV ₈) Ni price	US\$/t	10,766	10,766
C1 Cost (Brook Hunt)	US\$/t Ni	8,193	8,193
Production year payback	years	4.2	3.3
LOM Ni recovered	kt	426	426
LOM Fe recovered	kt	995	995
Average Ni production at 0.9 Mt/a ore ¹	kt/a	14.5	14.5
Average Fe production at 0.9 Mt/a ore	kt/a	32	32
Total revenue	US\$M	5,970	7,164
Total costs	US\$M	3,811	3,995
Operating cash flow	US\$M	2,159	3,169
Capital intensity – Initial capex/t nickel	US\$/t Ni	1,041	1,041

The results in Table 1 assumes 100% equity, providing scope for increased returns with the ability to leverage using commercial or other debt. The base case was developed using a flat nickel price of US\$14,000/t Ni in line with Wood Mackenzie's ('WM') short term forecast. Another case was prepared using a market consensus price of US\$16,800/t Ni.

As shown in Table 1(above), for the base case the FS has a 4.2-year payback period with cumulative gross revenues of US\$5,970 million. The economic analysis in the FS shows a post-tax NPV of US\$401 million and an IRR of 20.1% using the base case forecast of US\$14,000/t Ni.

Section 2 – Resources / Reserves and Mining

Snowden Mining Industry Consultants completed the mining engineering for the FS along with mining capital, operating cost estimates and resource estimation for the Project. Snowden is a global mining consulting and training business with leading skills and technologies in mining engineering, mine optimisation, and resource estimation.

¹ Average over initial 28 years of processing

Mineral Resources

The Project has two principal mining centres; Araguaia Nickel South ('ANS') and Araguaia Nickel North ('ANN'). ANS hosts seven deposits: Pequizeiro, Baiao, Pequizeiro West, Jacutinga, Vila Oito East, Vila Oito West and Vila Oito, while ANN hosts the Vale do Sonhos deposit.

A number of phases of diamond drilling has been completed across the Project commencing in 2010. Drilling at ANS has been undertaken by Horizonte and with drilling at ANN by Xstrata/Glencore. The Company has been active on the ANS project since the initial discovery in 2010, when it successfully completed the acquisition and integration of the Teck and Xstrata project areas, it has been the sole project operator since 2015. A total of 75,250 metres ('m') of diamond drilling has been completed across 2,627 holes for the Project.

Mineral Resource estimates for the deposits under consideration for the FS are shown in *Table 2*. The Measured Mineral Resource is estimated at 18 Mt at a grade of 1.44% Ni using a cut-off grade of 0.90% Ni. The Indicated Mineral Resource is 101 Mt at a grade of 1.25% Ni. This gives a combined Mineral Resource of 119 Mt at a grade of 1.27% Ni for Measured and Indicated Mineral Resources at a cut-off grade of 0.90% Ni (inclusive of Mineral Reserves). A further 13 Mt at a grade of 1.19% Ni (at a cut-off grade of 0.90% Ni) is defined as an Inferred Mineral Resource.

Table 2: Mineral Resources for ANS and ANN as of February 2017 by material type (0.90% Ni cut-off)

Araguaia	Category	Material type	Tonnage (kt)	Bulk density (t/m ³)	Contained Ni metal (kt)	Ni (%)	Co (%)	Fe (%)	MgO (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	Cr ₂ O ₃ (%)
Subtotal	Measured	Limonite	1,232	1.39	15	1.20	0.15	37.43	2.00	17.15	11.07	2.98
		Transition	6,645	1.26	116	1.75	0.07	18.89	10.20	42.06	6.59	1.29
		Saprolite	10,291	1.40	130	1.27	0.03	12.03	24.08	41.24	3.95	0.87
Total	Measured	All	18,168	1.35	261	1.44	0.05	16.26	17.51	39.91	5.40	1.17
Subtotal	Indicated	Limonite	19,244	1.39	216	1.12	0.12	36.22	2.40	20.46	9.61	2.65
		Transition	30,917	1.20	439	1.42	0.07	21.38	11.26	38.95	5.37	1.51
		Saprolite	51,008	1.31	610	1.18	0.03	11.83	25.79	40.59	3.16	0.85
Total	Indicated	All	101,169	1.30	1,264	1.25	0.06	19.39	16.90	36.26	5.06	1.39
Total	Measured + Indicated	All	119,337	1.30	1,525	1.27	0.06	18.91	16.99	36.81	5.11	1.36
Subtotal	Inferred	Limonite	2,751	1.37	30	1.08	0.10	34.92	3.04	22.84	9.23	2.50
		Transition	4,771	1.20	62	1.30	0.07	21.23	11.04	39.09	5.62	1.40
		Saprolite	5,398	1.35	62	1.15	0.03	11.80	24.36	41.81	3.69	0.82
Total	Inferred	All	12,920	1.30	154	1.19	0.06	20.21	14.90	36.77	5.58	1.39

Notes:

1. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. All figures are rounded to reflect the relative accuracy of the estimate and have been used to derive subtotals, totals and weighted averages. Such rounding consequently introduces a small margin of error. Where these occur, Snowden does not consider them to be material.
2. Mineral Resources are reported inclusive of Mineral Reserves.
3. The reporting standard adopted for the reporting of the Mineral Resource estimate uses the terminology, definitions and guidelines given in the CIM Definition Standards for Mineral Resources and Mineral Reserves (May 2014) as required by NI 43-101.
4. Snowden completed a site inspection of the deposit by Mr Andrew Ross FAusIMM, an appropriate "Independent Qualified Person" as such term is defined in NI 43-101.
5. kt = thousand tonnes (metric).

Mineral Reserves

The Mineral Reserves were reported by Snowden using the JORC Code (2012 Edition) and quoted in accordance with CIM (2014) requirements.

All economic Indicated Mineral Resources within the pit designs were classified as Probable Mineral Reserves and all Measured Mineral Resources at Pequizeiro (ANS) were classified as Proven Mineral Reserves (this classification was tested and supported by the trial mining program completed in this pit in 2017). Measured Mineral Resources at Vale dos Sonhos (ANN) were classified as Probable Mineral Reserves. A summary is provided in *Table 33*. The Mineral Reserve of 27.2 Mt gives mine life of 28 years based on the annual ore throughput to the RKEF plant of 900,000 t/a.

Table 3: Open Pit Mineral Reserves reported at October 2018

Category	Ore (Mt)	Ni (%)	Fe (%)	SiO ₂ :MgO	Al ₂ O ₃ (%)
Proven	7.33	1.72	16.01	3.01	6.00
Probable	19.96	1.68	17.57	2.36	4.56
Total	27.29	1.69	17.15	2.52	4.94

Notes

1. Mt – million dry metric tonnes.

2. Cut-off used was 1.4% Ni.

3. Dilution was modelled as part of re-blocking, ore losses applied are 8%.

3. The reporting standard adopted for the reporting of the Mineral Reserve estimate uses the terminology, definitions and guidelines given in the CIM Definition Standards for Mineral Resources and Mineral Reserves (May 2014) as required by NI 43-101.

4. Snowden completed a site inspection on three occasions between March 2016 and May 2017 by Mr Frank Blanchfield FAusIMM, an appropriate “Independent Qualified Person” as such term is defined in NI 43-101.

Mining

The deposits will be mined via conventional open pit truck and shovel techniques using contractors. No blasting will be necessary. Reverse circulation (‘RC’) grade control drilling will be completed at a 10 m x 10 m spacing well ahead of mining. This combined with the use of visual control of the limonite and transition boundary, face sampling, stockpile sampling and ore feed sampling, supports a comprehensive mine-to-mill strategy that is designed to maintain consistent feed to the process plant.

Waste will be stored in external dumps near the pits. Ore will be transported to stockpile hubs near each deposit. Sheeting (using ferricrete won from the overburden) will be required to support trafficability in and around the mine during the wet season. Depending on plant demand, ore will be hauled from hub stockpiles or directly from the pits to the run of mine (‘ROM’) at the RKEF process facility. Stockpiles on the ROM will be sheeted and classified according to ore type and chemistry for blending.

The resource model was converted to a mining model to reflect the mining method and incorporated anticipated mining dilution and loss. The model was re-blocked to 6.25 m x 6.25 m x 2 m, with a 300 mm “skin” of transition (directly beneath the limonite boundary) treated as loss.

The pits were optimised to target the highest-grade material giving a mine life of approximately 28 years. This resulted in a cut-off grade of 1.4% Ni being applied. The pits were then optimised using Whittle 4X to determine a shell to use for design.

The annual mining rate peaks at 3.5 Mt/annum between production years two and seven before dropping down to 3.0 Mt/annum for the remainder of the Project.

The mine supplies high nickel grades in the early mine life, reaching 2% in production year 2. The Ni grade is above 1.8% for the majority of the first 10 years of production and reduces to average approximately 1.6% Ni for the remaining mine life.

Section 3 – Processing

The process plant design, along with capital and operating cost estimates were completed by Ausenco Engineering Canada Inc (‘Ausenco’). Ausenco is a global diversified engineering, construction and project management company providing consulting, project delivery and asset management solutions to the resources, energy and infrastructure sectors.

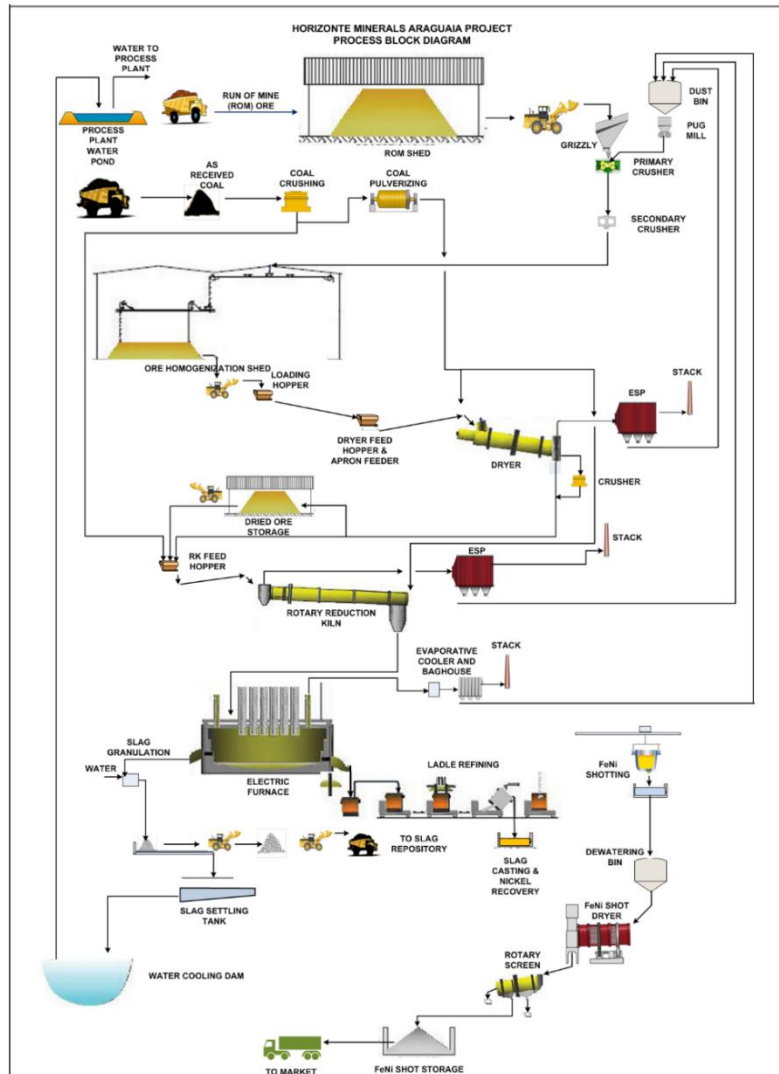
The Project will utilise a single RKEF processing line

The RKEF process is proven and used successfully in over 40 nickel laterite plants around the world and was deemed appropriate for the Project based on the extensive metallurgical testwork and the pilot plant campaigns completed on the ore.

The key steps in the RKEF flowsheet are (Figure 1);

- ROM ore, at an average moisture content of 34%, is first blended to meet metallurgical processing requirements, then transported to the primary crushing stage. Here the ore is sized using two stages of crushing to match the requirements of the subsequent steps. A mineral sizer with a 200 mm gap is used for primary sizing, while a mineral sizer with a 50 mm gap is used for the final stage
- The ore is then homogenised, partially dried and agglomerated to an average moisture content of 18% in a rotary dryer (4.5 m diameter x 40 m long) and fired with pulverized coal
- The dried agglomerated ore is then fed to the rotary kiln with the addition of reductant coal. In the kiln, the ore is completely dried, calcined to remove chemically-combined moisture, and the iron and nickel oxides are partially pre-reduced. Kiln dust is recycled to the process at the primary crushing stage ahead of the dryer/agglomerator
- Calcine from the kiln is then transferred to the electric furnace where further reduction of the nickel and iron occurs, melting and separation of the metal and slag occurs at high temperature. Slag is tapped at a temperature of around 1,575°C, while FeNi metal is tapped at a temperature of close to 1,500°C
- After tapping, the melt is transferred by ladle to the refining stage. The final FeNi product containing 30% Ni is shotted with water, screened, dried and stockpiled prior to dispatch to the port on trucks where it either bagged or loaded bulk into sea containers for shipping to customers
- The electric furnace slag is granulated and transferred to the slag repository by truck

Figure 1 ANP process flow diagram showing the RKEF steps



Section 4 – Financial Evaluation

Capital Cost

The FS estimate is based on the AACE class 3 with an accuracy range between -10% and +15% of the final project cost (excluding contingency) with a base date of October 2018. All amounts expressed are in US dollars unless otherwise stated.

The capital costs estimate ('capex') includes all the direct and indirect costs, local taxes and duties and appropriate contingencies for the facilities required to bring the Project into production, including the process plant, power line, water pipelines and associated infrastructure as defined by the FS. The estimate is based on an Engineering Procurement and Construction Management ('EPCM') implementation approach and the Project contracting strategy.

The total estimated initial (pre-production) capital cost for the project is US\$443.1 million (after tax, including growth and contingency, excluding escalation). A summary of the capex is shown in Table 4.

Table 4: Summary of FS capex

WBS #	Area	US\$'000
1000	Mine	6,003
3000	Ore Preparation	38,731
4000	Pyrometallurgy	137,518
5000	Material Supply	21,413
6000	Utilities and Infrastructure	106,918
7000	Buildings	9,095
8000	Indirect Costs	82,409
	Contingency	40,989
Total Costs		443,076

The direct costs in Table 4 include supply, shipping and site installation. The total contingency carried in the capex is US\$41.0 million, which combined with the US\$24.3 million growth allowance included in the direct costs provides a total provision of US\$65.3 million. This combined sum represents 17.2% of the total capex (excluding growth and contingency).

Operational costs

The FS mining and operating cost estimate ('opex') was calculated for an operation producing 14,500 t Ni per annum and is set out as an annual total and US\$/t Ni in Table (below), calculated as an average over the Life of Mine ('LOM'). The operating costs cover the mine, process plant, ore preparation, social and environmental, royalties and general and administrative overheads. The main contributors of the overall operating costs are power, coal, labour and mining costs, with additional consumables and other indirect costs, including G&A.

Table 5 FS Operating cost estimate

Description	Cost/annum (US\$)	US\$/t nickel
Process Plant		
Directs		
Power	32,114,355	2,410
Coal	21,591,099	1,620
Other directs	17,965,039	1,348
Labour	7,831,286	588
Subtotal – Direct costs	79,501,779	5,966
Indirect costs	10,285,640	772
Mining costs	21,112,173	1,584
Total costs	110,889,592	8,322

Summary Economics

The financial model developed for the FS assumes 100% equity. The base case uses a flat nickel price of US\$14,000/t Ni. Another case was prepared using a market consensus price of US\$16,800/t Ni. This additional price forecasts represents an upside scenario.

As shown in Table 1, the post taxation model in the FS for the base case at the ANP has a 4.2-year payback period with cumulative gross revenues of US\$5,970 million. The FS economic analysis indicates a post-tax NPV of US\$401million and an IRR of 20.1% using the base case forecast of US\$14,000/t Ni.

Table 6 shows the pre-taxation results.

Table 6: FS economic performance (pre-taxation)

Item	Unit	Nickel price basis (US\$/t Ni)	
		Base (14,000)	CIBC (16,800)
Net cash flow	US\$M	1,834	3,208
NPV ₈	US\$M	456	840
IRR	%	21.2	29.9
Breakeven (NPV ₈) Ni price	US\$/t	10,672	10,672
C1 Cost (Brook Hunt)	US\$/t Ni	8,193	8,193
Production year payback	years	4.0	3.0
Total costs	US\$M	4,137	4,137
Operating cash flow	US\$M	2,421	3,616

Sensitivity Analysis

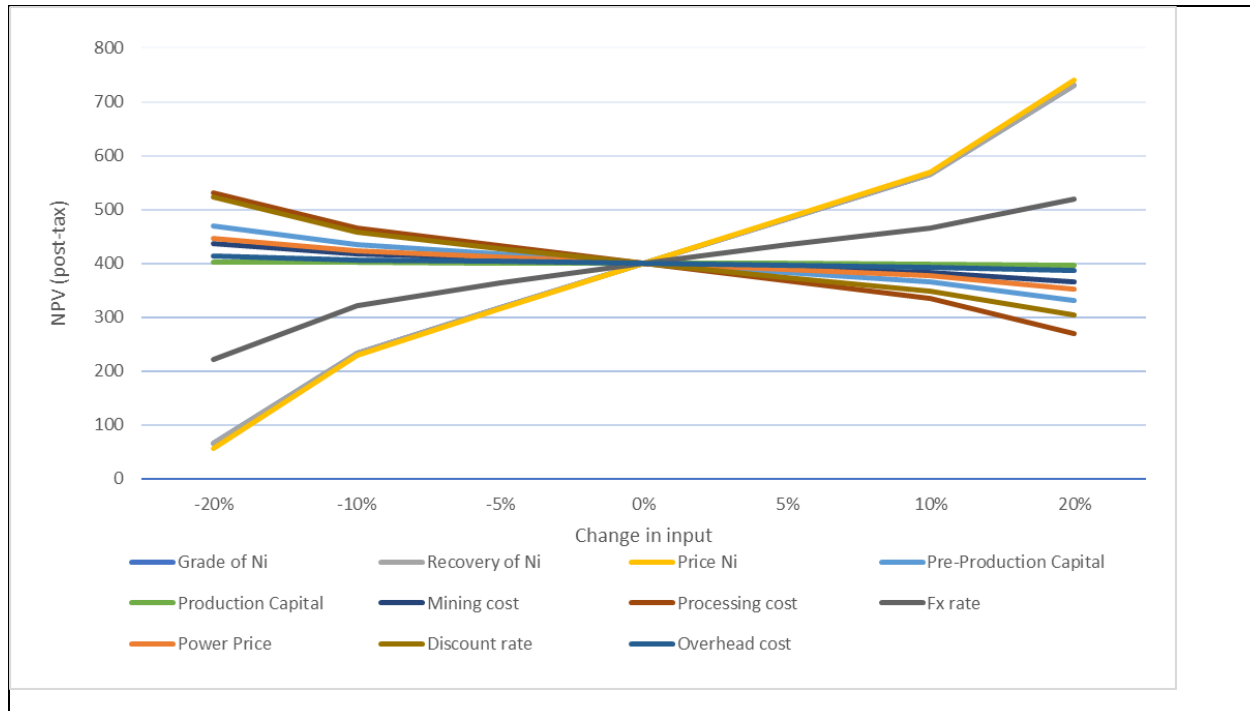
The sensitivity analysis that was completed as part of the FS demonstrates how the NPV₈ is affected by changes to one variable while holding the other variables constant. The results of the sensitivity analysis are presented in Table 7 and Figure 2. The breakeven ('B/E') indicates the change in the variable that will bring the project NPV₈ to US\$0.000 if all other variables remain unchanged. For example, if the grade of Ni reduces by 23.7% the Project will break even on NPV₈.

Table 7: Sensitivity table for the FS Base Case (US\$14,000/t) NPV₈, after taxation

	-20%	-10%	-5%	0%	5%	10%	20%	B/E ²
Grade Ni	65	234	317	401	483	566	731	-23.7%
Recovery Ni	65	234	317	401	483	566	731	-23.7%
Price Ni	56	230	315	401	485	570	740	-23.1%
Pre-production capital	469	435	418	401	383	366	331	110.2%
Production capital	403	402	401	401	400	399	397	-
Mining cost	436	418	409	401	391	383	365	222.6%
Processing cost	531	466	433	401	367	335	269	59.8%
US\$/BRL FX rate	222	321	363	401	434	465	519	-35.4%
Electricity price	447	424	412	401	389	377	353	167.2%
Discount factor	524	458	428	401	374	349	304	151.3%
Overhead cost	414	407	404	401	397	393	386	-

² The breakeven change for the variable if all other variables remain unchanged. For example, if the grade of Ni reduces by 23.7% the Project will break even on NPV₈.

Figure 2: Sensitivity to NPV8 for changes in various key inputs



The sensitivity analysis shows that the Project is more sensitive to nickel price, nickel recovery and grade than it is to either opex or capex.

Section 5 – Market Review and Nickel Pricing

A market study for the FS was provided by WM, a global natural resource research and consulting company, with speciality in the nickel industry. WM's findings are summarised below.

World nickel demand is forecast to increase by 3.6% in 2018, to 2.26 Mt before slowing to a compound annual growth rate of 2.1% a year, reaching 2.61 Mt in 2025. Growth over the long term is slightly stronger, at 2.5% a year, to 3.35 Mt in 2035, due to increasing uptake by the battery segment (for electric vehicles). Over this period, primary nickel uptake in stainless will account for 50–70% of total demand, rising from 1.54 Mt in 2018 to 1.66 Mt in 2025, and 1.77 Mt in 2035.

Thus, with an outlook for nickel of structural shortage, deepening deficits and falling stocks, nickel prices are expected to continue to increase above their recently established range of US\$12,500/t to US\$15,000/t (US\$5.90 to US\$6.80/lb). A near term forecast for the purposes of the FS is therefore, US\$14,000/t (US\$6.35/lb). For comparison, WM's long-term incentive price currently stands at about US\$26,450/t (US\$12.00/lb).

The composition of ANP FeNi30 is comparable to existing FeNi30 being produced. Consequently, there is no impediment (based on the elemental breakdown provided) to the proposed FeNi30 product being acceptable to the stainless steel market.

World stainless steel production increased by 12 Mt between 2012 and 2017, mostly in China and to a lesser extent across the rest of Asia. Forecast production in 2018 is 50.8 Mt, up 4.5% on 2017. This upward trend is likely to continue over the mid-term, before slowing after 2025. As

future growth in stainless production is expected to continue, the demand for FeNi (including FeNi30) should also increase. Consequently, WM forecasts long term FeNi production to be 450,000–460,000 a year, compared with 433,000 in 2018. This suggests there could be a need for the development of new FeNi projects in the future.

Section 6 – Community and Environment

The FS sets out key environmental and social risks and impacts and how the Company plans to minimise, manage and mitigate them and then monitor performance. This will be primarily achieved through a system of Environmental Control Plans, to be implemented before, during and after construction to meet Brazilian and international standards.

The Company is working with Environmental Resource Management ('ERM'), a global leader in this field, together with local Brazilian groups: Integratio Mediação Social e Sustentabilidade (social and land) and DBO Environmental Engineering (fauna) for the FS environmental and social work streams and the project permitting work for the Construction Licence (Licença de Instalação ('LI')). All work has been undertaken to IFC Performance Standards, 1, 2 and 5 and Brazilian CONAMA (environmental) legislation.

The groups have conducted a number of new studies in 2017 and 2018 together with ongoing programs, these included:

- Environmental Control Plans - elaboration and detailing of socio-environmental programs
- Inventories of fauna and flora
- Air dispersion modelling
- Hydrogeological modelling and water balance
- Visits by physical, biological and social analysts to site
- Air, noise and water monitoring – ongoing as part of base line data build up into the construction and operational phase

ANP will generate approximately 500 direct and indirect jobs in the south-eastern rural area of Pará State, over the 28 years of operations. The majority of these workers during the operational phase will reside locally. The peak construction workforce is expected to reach over 1,000.

Community contributions are expected to total over US\$700 million during the LOM, including:

- Over US\$400 million in corporate taxes
- Over US\$280 million in employee and contractor wages

Table 9 Comparison of physicals and financial KPI's for the FS case

Item	Unit	Base Case (US\$14,00/t Ni)	Consensus case (US\$16,800/t Ni)
Physicals			
LOM plant feed ³	Mt	27.3	27.3
Process rate	kt/a	900	900
Year 1- 10 Ni grade	%	1.91	1.91
LOM Ni grade	%	1.69	1.69
LOM Nickel production	kt	426	426
Strip ratio	w:o	2.1	2.1
Mine life	years	28 ⁴	28 ⁴
Economics			
Pre-production Capital	US\$ M	443	443
LOM Sustaining Capital cost	US\$ M	143	143
Capital Intensity – Initial capex/t Nickel	US\$/t Ni	1,041	1,041
C1 Cost (Brook Hunt)	US\$/t Ni	8,193	8,193
C1 Cost (Brook Hunt) Years 1- 10	US\$/t Ni	6,794	6,794
Breakeven (NPV ₈) Ni price	US\$/t	10,766	10,766
Total Revenue	US\$ M	5,970	7,164
Total cost	US\$ M	3,811	3,995
Operating cash flow	US\$ M	2,159	3,169
Net cash flow	US\$ M	1,572	2,582
NPV ₈	US\$ M	401	740
IRR	%	20.1	28.1

Vermelho Nickel-Cobalt Project

All scientific and technical information contained in this AIF for the Vermelho Nickel -Cobalt Project has been prepared by or under the supervision of Mr Anthony Finch BEng(Min), B Econ, P.Eng (APEGBC), MAusIMM(CP), a “Qualified Person” within the meaning of NI 43-101. For further details on the Vermelho Project, please refer to “Pre-Feasibility Study (‘FS’) for the Vermelho Nickel-Cobalt Project Federative Republic of Brazil Amended NI 43-101 Technical Report’, dated October 2019 available on the Company’s website at www.horizonteminerals.com.

³ Includes low grade stockpiles processed at the end of the schedule

⁴ 28 years mining following by 3 years of low grade stockpile processing

Horizonte's 100% owned Vermelho nickel–cobalt (“VNCP”) project was acquired from Vale in late 2017, it is located in the eastern part of the Carajás mining district and approximately 80 kilometres north west of the Company's Araguaia North ferronickel project. The Carajás district is an established mining region with well-developed infrastructure in place, including rail, roads and hydro-electric power.

The Vermelho project was discovered by Vale with the objective of becoming its principal nickel-cobalt operation. Vale completed extensive work on the project, which included drilling programmes totalling 152,000 metres, full scale pilot test work and detailed engineering studies. The project was subsequently taken through a feasibility programme with Vale announcing a positive development decision in 2005. The project was designed around the construction of a high pressure acid leaching plant (HPAL) to process the nickel/cobalt laterite ore. The 2005 Vale FS included a five-year metallurgical test work and pilot plant programme which delivered 96% and 95% average leaching extraction rates of nickel and cobalt respectively, in addition LME grade nickel – cathode was produced. The Vale 2005 FS showed production capacity of 46,000 tpa of metallic nickel, and 2,500 tpa of metallic cobalt, with an expected commercial life of 40 years.

The Company announced the results of its Pre-Feasibility Study on the VNCP October 2019.

Vermelho Pre-Feasibility Study

Highlights:

- The Study confirms Vermelho as a large, high-grade resource, with a long mine life and low-cost source of nickel sulphate for the battery industry;
- The compelling economic and technical results from the study support further development of the project towards a full Feasibility Study;
- A 38-year mine life estimated to generate total cash flows after taxation of US\$7.3billion⁵;
- An estimated Base Case post-tax Net Present Value¹ ('NPV') of US\$1.7 billion⁶ and Internal Rate of Return ('IRR') of 26%;
- At full production capacity the Project is expected to produce an average of 25,000 tonnes of nickel and 1,250 tonnes of cobalt per annum utilising the High-Pressure Acid Leach process;
- The base case PFS economics assume a flat nickel price of US\$16,400 per tonne ('/t') for

⁵USD/BRL 1/3.8 exchange rate applied for life-of-mine

⁶ NPV calculated using 8% discount rate

the 38-year mine life;

- C1 (Brook Hunt) cash cost of US\$8,020/t Ni (US\$3.64/lb Ni), defines Vermelho as a low-cost producer;
- Initial Capital Cost estimate is US\$652 million (AACE class 4), including US\$97.7 million of contingencies (equating to approximately 18% of capital); and
- Vermelho is set to deliver significant socio-economic benefits for communities in the Pará state, including over 1,800 direct jobs in the construction phase, and over 600 jobs during operation, as well as additional economic and social development programs.

Vermelho Pre-Feasibility Study Detailed Information

Project Summary

The Project comprises a planned 38 year operation with an open pit nickel laterite mining operation that mines a 141.3 million tonne (Mt) Probable Mineral Reserve (at a cut-off of 0.7% Ni) to produce 924,000 tonnes of nickel contained in nickel sulphate, 36,000 tonnes of cobalt contained in cobalt sulphate and a saleable by-product, kieserite (a form of fertiliser) of which 4.48 Mt are produced. The project will utilise a hydro-metallurgical process comprised of a beneficiation plant where ore is upgraded prior to being fed to a High-Pressure Acid Leach (HPAL) and refining Plant which produces the sulphates. The plant will be constructed in two phases, with an initial capacity of 1 Mt per annum (Mt/a) autoclave feed (Stage 1), then after three years of production, a second process train (Stage 2 Expansion) will be constructed effectively doubling the autoclave feed rate to 2 Mt/a. The Stage 1 plant and project infrastructure will be constructed over a 31-month period. The nickel and cobalt sulphate products will be transported by road to the port of Vila do Conde (the same facility planned for Araguaia) for sale to overseas customers. The kieserite will be transported to consumers within Pará state.

The engineering has been developed for the process plant, mining, infrastructure and utilities to support capital ('capex') and operating expenditure ('opex') estimates to an Association for the Advancement of Cost Engineering (AACE) class 4 standard. This means that capex and opex estimates have a combined accuracy of between -25% and +20% at a confidence level of 50%. The capex and opex are dated Q2 2019 and are exclusive of future escalation.

The results of the PFS demonstrate that Vermelho shows positive economics (Table 1, below).

Table 1: Key Feasibility Study Project Economic Indicators (post taxation)

Item	Unit	Nickel price basis (US\$/t Ni)**	
		Base Case 16,400	Long Term 19,800
Net cash flow	US\$ M	7,304	9,546
NPV ₈	US\$ M	1,722	2,373
IRR	%	26.3%	31.5%
Breakeven (NPV ₈) nickel price	US\$/t	7,483	7,483
C1 cost (Brook Hunt)	US\$/t Ni	8,029	8,029
C1 cost (Brook Hunt) years 1–10	US\$/t Ni	7,286	7,286
Production year payback	years	4.2	3.6
LOM nickel recovered	kt	924.0	924.0
LOM cobalt recovered	kt	46.61	46.61
LOM kieserite produced	kt	4,482	4,482
LOM Total revenue	US\$ M	19,034	22,175
LOM Total costs	US\$ M	11,729	12,629
Operating cash flow	US\$ M	8,451	10,693
Capital intensity – initial capex/t Ni	US\$/t Ni	635	635

Note: ** US\$2,000/t premium for battery sulphate production has been added to Nickel revenue, US\$34,000/t for the cobalt produced as cobalt sulphate, and a net revenue of US\$100/t of the by-product, kieserite.

The economic model assumes 100% equity, providing the opportunity for increased returns leveraging commercial or other debt. The base case was developed using a flat nickel price of US\$16,400/t Ni. An alternate case using the Wood Mackenzie long term Nickel price of US\$19,800/t Ni was also developed.

As shown in Table 1 (above), for the base case the project has a 4.2-year payback period with cumulative gross revenues of US\$19,034 million. The economic analysis indicates a post-tax NPV₈ of US\$1,722 million and an IRR of 26.3% using the base case forecast of US\$16,400/t Ni, this increases to US\$2,373 million and 31.5% when using the Wood Mackenzie long term price of US\$19,800/t Ni.

Resources / Reserves and Mining

The Vermelho nickel deposits consist of two hills named V1 and V2 (after Vermelho 1 and Vermelho 2), aligned on a northeast-southwest trend, overlying ultramafic bodies. A third ultramafic body, named V3, also located in the same trend lies on flat terrain, southwest of V2. The ultramafic bodies have had an extensive history of tropical weathering, which has produced a thick profile of nickel-enriched lateritic saprolite at V1 and V2.

The Vermelho area was explored in various stages by Companhia Vale do Rio Doce ('Vale') from 1974 to 2004 involving approximately 152,000 m of combined drilling and pitting. The drilling density was substantially enhanced in 2002 to 2004, with the majority of the resource upgraded to the Measured category as defined in JORC (2004) and CIM Definition Standards (2014). Pilot plant metallurgical studies were conducted in Australia focused on the HPAL processing method. A PFS was prepared in 2003, and a Feasibility Study ('FS') was completed in August 2004 by

GRD-Minproc (2005). This study confirmed the positive economics supporting the outcomes obtained in previous studies and showed production capacity of 46,000 tonnes per annum (t/a) of metallic nickel, and 2,500 t/a of metallic cobalt. The project was given construction approval in 2005 however later that year Vale elected to place the Project on hold after Vale acquired Canadian nickel producer Inco.

Mineral Resources

Snowden Mining and Industry Consultants ('Snowden') were commissioned by Horizonte to produce the Geology and Mineral Resources sections of the PFS for the Project.

Within the mining licence, at a cut-off grade of 0.7% Ni, a total of 140.8 Mt at a grade of 1.05% Ni and 0.05% Co is defined as a Measured Mineral Resource and a total of 5.0 Mt at a grade of 0.99% Ni and 0.06% Co is defined as an Indicated Mineral Resource. This gives a combined tonnage of 145.7 Mt at a grade of 1.05% Ni and 0.05% Co for Measured and Indicated Mineral Resources. A further 3.1 Mt at a grade of 0.96% Ni and 0.04% Co is defined as an Inferred Mineral Resource at a cut-off grade of 0.7% Ni.

The Mineral Resource is summarised in Table 2.

Table 2 V1 + V2 – combined classified Mineral Resource report for Vermelho above 0.7% Ni cut-off within the mining licence

Classification	Tonnage (Mt)	Ni %	Ni metal (kt)	Co %	Co metal (kt)	Fe ₂ O ₃ %	MgO ₂ %	SiO ₂ %
Measured	140.8	1.05	1,477	0.05	74.6	31.1	11.3	41.0
Indicated	5.0	0.99	49	0.06	2.8	26.3	8.6	49.0
Measured + Indicated	145.7	1.05	1,526	0.05	77.3	30.9	11.2	41.3
Inferred	3.1	0.96	29	0.04	1.4	24.0	15.5	42.2

Notes

1. Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. All figures are rounded to reflect the relative accuracy of the estimate and have been used to derive subtotals, totals and weighted averages. Such calculations inherently involve a degree of rounding and consequently introduce a margin of error. Where these occur, Snowden does not consider them to be material.
2. Mineral Resources are reported inclusive of Mineral Reserves.
3. The reporting standard adopted for the reporting of the Mineral Resource estimate uses the terminology, definitions and guidelines given in the CIM Definition Standards for Mineral Resources and Mineral Reserves (May 2014) as required by NI 43-101.
4. Mineral Resources are reported on 100% basis for all Project areas.

5. Snowden completed a site inspection of the deposit by Mr Andrew Ross FAusIMM, an appropriate "independent Qualified Person" as such term is defined in NI 43-101.
6. kt = thousand tonnes (metric).

Mineral Reserves

Mineral Reserves were prepared for the Project as part of the PFS, using the CIM Definition Standards (2014).

In accordance with the CIM Definition Standards for Mineral Resources and Mineral Reserves (as adopted and amended), Mineral Reserves are classified as either "Probable" or "Proven" Mineral Reserves and are based on Indicated and Measured Mineral Resources only in conjunction "estimation of Mineral Resource and Mineral Reserve best practice guidelines" as provided by the CIM. No Mineral Reserves have been estimated using Inferred Mineral Resources.

All economic Measured and Indicated Resources within the pit designs were classified as Probable Reserves. A summary of the Mineral Reserves is provided in Table 3

Table 3 Open pit Mineral Reserves reported as of October 2018

Value	Probable
Ore (Mt)	141.3
Ni (%)	0.91
Co (%)	0.052
Fe (%)	23.1
Mg (%)	3.81
Al (%)	0.79

Notes

1. Cut-off varies by resource model block depending on individual block geochemistry, however, as a guide the cut-off is approximately 0.5% Ni.
2. A site inspection on was completed four occasions between March 2017 and September 2019 by Mr Anthony Finch P. Eng. MAusIMM (CP Min.), an appropriate "independent Qualified Person" as such term is defined in NI 43-101.

Mining

Snowden were commissioned by Horizonte to produce the mining plans of the PFS.

Mining at Vermelho is planned to be undertaken with conventional open pit truck and excavator mining methods. Blasting will be necessary for the upper parts of the deposit. Waste overburden will be stripped on 4 m benches, and ore on 2 m benches for additional selectivity.

Reverse circulation ('RC') grade control drilling will be completed at 12.5 m x 12.5 m spacing to define the waste/ore/ore type boundary ahead of mining.

Waste will be stored in dumps adjacent to the pits. Ore will be transported to the run of mine ('ROM') stockpile near the processing plant or the low-grade stockpiles for later processing

Due to the wet season, mining (including stockpile rehandling) will be reduced between October and March (as is standard practice in the region). It was assumed that a fleet of Scania G500 8x4 22 m³ heavy tippers will be used as part of the fleet and coarse beneficiation rejects will be used as sheeting, to mitigate trafficability issues.

The mine production schedule targeted a processing rate of 1 Mt/a HPAL feed for the first three years and a doubling in capacity thereafter to 2 Mt/a. To facilitate this, ROM feed of approximately 2.25 Mt/a to 4.5 Mt/a is required as well as an acid production capacity of 350 kt/a to 700 kt/a.

The annual mining rate starts at 8 Mt/a and peaks at 12 Mt/a between production years 5 and 11. Strip ratios for the deposit are extremely low (0.14 Waste:Ore) consequently waste dumps are relatively small.

The mine supplies higher grade ore in the early mine life to the HPAL circuit, reaching up to 2% Ni and 0.1% Co in the first four production years. The HPAL feed grade (after beneficiation) is above 1.5% Ni and 0.08% Co for the majority of the first 17 years of production and decreases over the remaining LOM as feed is sourced from large lower grade stockpiles that are to be developed in the early years and are processed in the later years.

Processing

The process plant design, along with capital and operating cost estimates were completed by Simulus (Engineers) Pty Ltd, Perth Australia ('Simulus'). Simulus is a specialist in nickel and cobalt laterite project metallurgical testwork, piloting and process design.

The process selected for the Project is the production of a nickel and cobalt sulphate product via HPAL, mixed sulphide precipitation ('MSP'), pressure oxidation leaching ('POX'), cobalt solvent extraction ('CoSX') and crystallization. Prior to the HPAL process, barren free silica is removed from the ore via a beneficiation process which involves crushing, scrubbing, washing and separation by screening and hydrocyclones. To avoid accumulation of magnesium sulphate in the recycled process water, a portion is sent to the Kieserite (magnesium sulphate monohydrate, MgSO₄•H₂O) crystallization area where Kieserite is recovered and crystallised for potential sale as fertiliser.

The process plant has been designed to process 4.34 Mt/a of ROM ore at 1.07% Ni. Of this total feed, 2.34 Mt/a is rejected as coarse, low grade siliceous waste from the beneficiation plant. The 2 Mt/a beneficiated product at 1.85% Ni grade is then fed to the HPAL processing plant as upgraded feed (1 Mt/a per train). A common refining circuit treats the MSP produced from each train via POX, CoSX and crystallization.

The proposed process plant has been designed to recover 94.4% and 94.9% of the nickel and cobalt from the HPAL feed at an acid consumption of 347 kg/t. The nickel and cobalt sulphate products are of high purity suitable for sale directly into the battery market. The Kieserite by-product is of appropriate quality to be sold to the local fertiliser market.

Extensive metallurgical testwork and process design was undertaken on the Project by the former owner, Vale, at scoping, prefeasibility and feasibility stages, included drilling and pitting programs totalling 152,000 m, variability batch testwork, full-scale pilot testwork and detailed engineering studies. A five-year, exhaustive, metallurgical testwork and pilot plant program demonstrated that a high degree of mined ore upgradable using a simple beneficiation processes was possible. The resultant feed delivered 96% average leach extraction for nickel and cobalt via HPAL technology.

Additional testwork has been completed by the current Project owner, HZM, during 2018 and 2019. This testwork on selected samples from Vermelho validated the potential to produce high-grade sulphate products using the HPAL process.

The 6,000 plus samples totalling over 160t used for PFS and Final Feasibility Study (FFS) piloting were large diameter drill core and were representative (geographically, of depth, ore type and by lithology). Additionally, 10% of the samples (1 m from every 10 m) was used for variability testing so piloting and variability were related.

The processing plant consists of the following main process unit operations:

- Beneficiation
- HPAL
- Slurry neutralization and residue filtration
- MSP
- POX
- Impurity removal
- CoSX
- Nickel sulphate crystallization
- Cobalt sulphate crystallization
- Acid liquor neutralization
- Kieserite crystallization
- Sulphuric acid plant
- Reagents and utilities.

Financial Evaluation

Capital Cost

The estimate is based on the AACE class 4 standard, with an estimated accuracy range between -25% and +20% of the final project cost (excluding contingency).

The largest capital item is the HPAL plant. In order to manage initial capital, this is constructed in two phases. The first phase (Stage 1) has a capacity of 1 Mt/a autoclave feed. Stage 2 is brought online in year 3 of production and effectively doubles the HPAL feed rate to 2 Mt/a.

The capex estimate includes all the direct and indirect costs, local taxes and duties and appropriate contingencies for the facilities required to bring the Project into production, including the process plant, power line, water pipelines and associated infrastructure as defined by the PFS. The estimate is based on an Engineering Procurement and Construction Management ('EPCM') implementation approach and the is the contracting strategy expected to be utilised for the Project.

The total estimated initial (pre-production) capex for the project is US\$652.2 million (after tax, including contingency, excluding growth and escalation). A summary of the capex is shown in Table 4.

Table 4: Summary of capex

Capital cost component	Initial (US\$ M)	Train 2 (year 3) (US\$ M)	Remainder (US\$ M)	LOM (US\$ M)
Process plant	575.06	446.68		1,022
Mining pre-production	10.78	-		10.78
Tailings and sediment	24.12	-		24.12
Pumping	2.34	-		2.34
Powerline	14.16	-		14.16
Road	2.59	-		2.59
Permitting and land acquisition	23.19	-		23.19
Mining sustaining	-	-	21.58	21.58
Other sustaining (including land permitting and land)	-	-	1.33	1.33
Closure	-	-	29.37	29.37
TOTAL	652.24	446.68	52.28	1,151

The costs in Table 4 include all direct and indirect costs including owner costs, supply, shipping and site installation. The total contingency carried in the capex is US\$97.7 million, this represents 18% of the initial capex (excluding contingency) and 25% of the plant direct costs.

Operational costs

The operating costs shown in Table 5 (below) represent the average over the LOM; actual costs for these vary from year-to-year depending on the fixed and variable costs as well as sustaining capital requirement for the given year. The operating costs cover the mine, process plant, ore preparation, social and environmental, royalties and general and administrative costs. The main contributors of the overall operating costs are power, sulphur, (for acid and power production) labour and mining costs, with additional consumables and other indirect costs, including G&A.

Table 5: Summary of opex

Area	LOM total (US\$ M)	US\$/t nickel**	US\$/t ore	Average annual (US\$ M)
Mining	981	1,062	6.94	25.81
Rejects and tails handling	414	448	2.93	10.89
Processing costs	5,785	6,261	40.93	152.23
Royalties (CFEM)	23	25	0.16	0.60
Royalty (Vale)	66	72	0.47	1.74
G&A and other costs	215	233	1.52	5.67
SHE	24	26	0.17	0.63
TOTAL	7,508	8,126	53.13	197.57

Note: ** US\$2,000/t premium for battery sulphate production has been added to Nickel revenue, US\$34,000/t for the cobalt produced as cobalt sulphate, and a net revenue of US\$100/t of the by-product, kieserite

Summary Economics

The financial model based on 100% equity. The Base Case was developed using a flat nickel price of US\$16,400/t Ni for LOM. The second case was prepared; using the Wood Mackenzie long term price of US\$19,800/t Ni.

The revenue breakdown by product is shown in Table 6.

Table 6 LOM Revenue by product

Revenue by product	LOM Revenue (US \$M)**	% of total
Ni Sulphate	17,001	89%
Co Sulphate	1,585	8%
Kieserite	448	2%
	19,034	100%

Note: ** A US\$2,000/t Ni premium for battery sulphate production has been added to Nickel revenue, US\$34,000/t for the cobalt produced as cobalt sulphate, and a net revenue of US\$100/t of the by-product, kieserite

As shown in Table 1, the post taxation model for the Base Case has a 4.6-year payback period with cumulative gross revenues of US\$19,034 million. The economic analysis indicates a post-tax NPV of US\$1,722million and an IRR of 26.3% using the Base Case of US\$16,400/t Ni. These figures increase to US\$2,373 million and 31.5% when using the Wood Mackenzie long term price of US\$19,800/t Ni. Table 7 shows the pre-taxation results.

Table 7: Project economic performance (pre-taxation)

Item	Unit	Nickel price basis (US\$/t Ni)**	
		Base Case (consensus) 16,400	WM Long Term 19,800
Net cash flow	US\$ million	10,379	13,509
NPV ₈	US\$ million	2,342	3,185
IRR	%	28.8%	34.5%
Breakeven (NPV ₈) Ni price	US\$/t	6,946	6,946
C1 Cost (Brooke Hunt)	US\$/t	8,029	8,029
Production year payback	Years	4.0	3.5
Cash costs	US\$ million	7,508	7,520
Operating cash flow	US\$ million	11,526	14,655

Note: ** US\$2,000/t premium for battery sulphate production has been added to Nickel revenue, US\$34,000/t for the cobalt produced as cobalt sulphate, and a net revenue of US\$100/t of the by-product, kieserite.

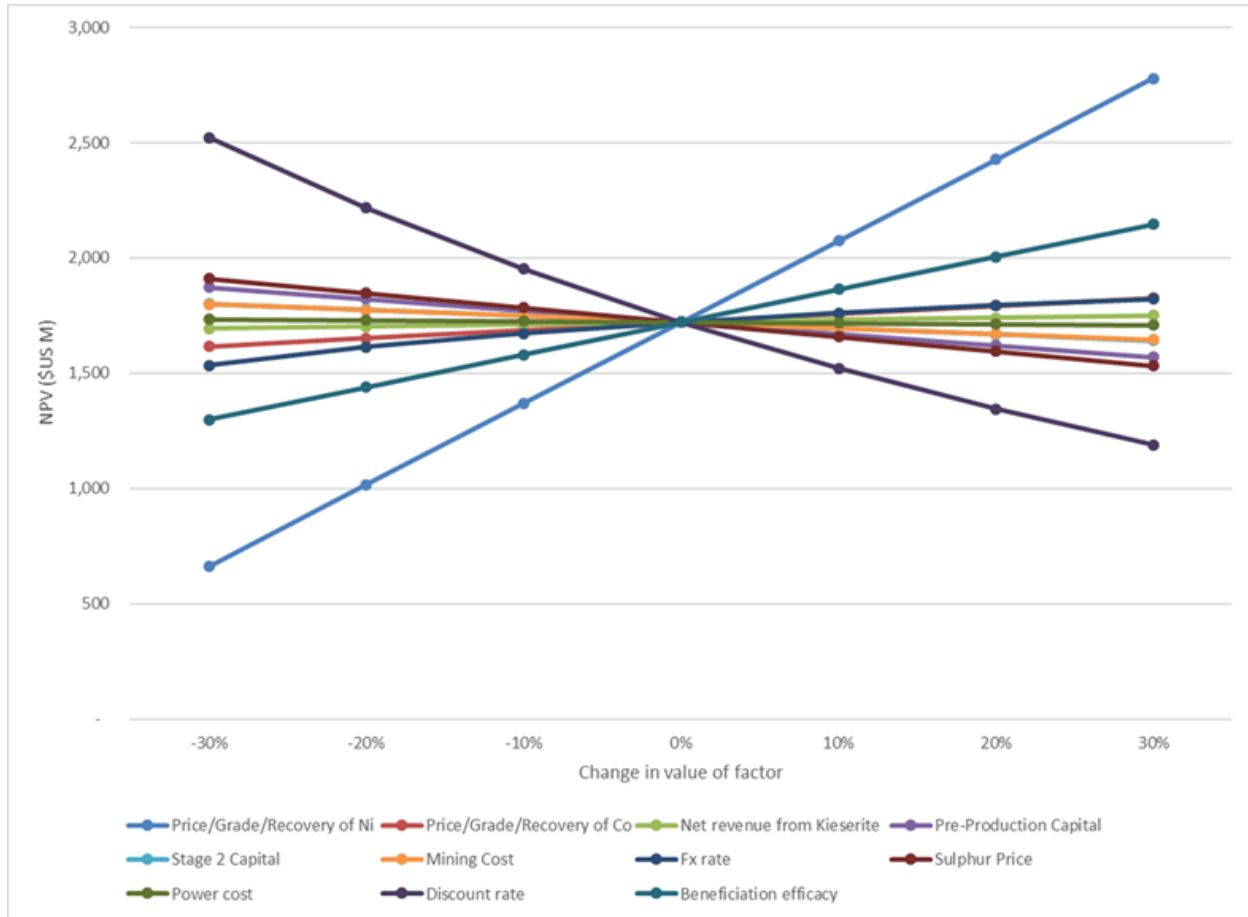
Sensitivity Analysis

The sensitivity analysis demonstrates how the NPV₈ is affected by changes to one variable while holding the other variables constant. The results of the sensitivity analysis are presented in Table 8 and Figure 1.

Table 8: Sensitivity table for the Base Case (US\$16,400/t) NPV₈, after taxation

Sensitivity parameter	-30%	-20%	-10%	0%	10%	20%	30%
Price/Grade/Recovery of Ni	661	1,016	1,369	1,722	2,074	2,427	2,779
Price/Grade/Recovery of Co	1,617	1,652	1,687	1,722	1,757	1,792	1,827
Net revenue from Kieserite	1,693	1,703	1,712	1,722	1,731	1,741	1,751
Pre-Production Capital	1,873	1,823	1,772	1,722	1,671	1,621	1,570
Stage 2 Capital	1,802	1,775	1,749	1,722	1,695	1,668	1,642
Mining Cost	1,799	1,773	1,748	1,722	1,696	1,670	1,645
Fx rate	1,535	1,613	1,674	1,722	1,761	1,794	1,821
Sulphur Price	1,911	1,848	1,785	1,722	1,659	1,596	1,532
Power cost	1,735	1,730	1,726	1,722	1,718	1,713	1,709
Discount rate	2,523	2,217	1,952	1,722	1,521	1,345	1,189
Beneficiation efficacy	1,298	1,439	1,581	1,722	1,863	2,004	2,146

Figure 1: Sensitivity chart



The sensitivity analysis shows that the Project is more sensitive to nickel price, nickel recovery and grade than it is to either opex or capex.

Section 5 – Market Review and Nickel Pricing

In June 2019, HZM commissioned Wood Mackenzie to develop a report on the market for nickel sulphate. As consequence of that report the following assumptions with respect to commodity pricing were used in the PFS.

- The consensus nickel price of US\$16,400/t (US\$7.44/lb) was used in the Base Case for the PFS along with a US\$2,000/t (US\$0.91/lb) nickel sulphate product premium. The nickel sulphate premium is driven by the battery market (where nickel sulphate is valued higher than class 1 nickel) and is supported by very strong growth in the EV car market. The US\$2,000/t (US\$0.91/lb) sulphate premium is the average value realised in the market over the last 12 months. The Wood Mackenzie long-term price currently stands at approximately US\$19,800/t (US\$8.98/lb); this was used as an alternative case for the PFS. A fixed price for nickel was applied over the LOM. The Qualified Person has reviewed the above and consider that the results support the assumptions in this Technical Report.

- The cobalt price assumption of US\$34,000/t (US\$15.43/lb) used in this study is significantly below the long-term consensus bank/broker forecasts which stand at US\$55,000/t (US\$25/lb).

Kieserite

In July 2019, HZM commissioned a report on the market for kieserite in Brazil from Dr Fabio Vale (Director Técnico/Technical Manager) of Adubai Consultoria Agronômica (Adubai).

The study concludes that:

The fertilizer market in Brazil is large. In 2018, 35.6 Mt of fertilizer was sold, of this 77.5% was imported and 22.5% was manufactured locally. The most likely consumers of the kieserite produced at the Project are the palm oil growers in Pará state, as palm oil trees have a very high demand for both magnesium and sulphur, although it has been demonstrated that coffee and cotton would also benefit from kieserite. The location of the Vermelho plant in the centre of the Pará state gives its distribution a competitive advantage over the imported product. The Project will produce approximately 150,000 t of kieserite a year, which is 10 times the current market for imported kieserite. This means there would be oversupply which would be expected to dictate a lower realised price than the current market, and substitution of other agro-products would be required for all Project kieserite to be consumed in the local market. This suggests that it would be unlikely for current prices (approximately US\$380/t FOB Barcarena) to be realised. For the study, HZM has assumed a kieserite price of US\$180/t (delivered) – about half of the current price in Barcarena. The study assumes a cost of US\$80/t for delivery and marketing of Kieserite.

Community, Environment and Permitting

The Project is located 3km from the town of Canaã dos Carajás, founded in 1994, which forms the southern limit of the Carajás Mining District (CMD) Pará state, north of Brazil. The CMD is host to a number of tier 1 iron, nickel and copper mines operated by Vale.

Mining and related industries in the CMD play a vital role in the socio-economic fabric of the region, with the municipality presenting considerable per capita income, the second highest of the Pará state.

In 2004, Vale started to operate the Sossego Copper Mine after several infrastructure municipality improvements, and most recently (2017) ramped-up the S11D project, one of the largest standalone iron operations in the world. As a result of the advances of mining in the region, there has been a significant influx of people and investment, which has in turn promoted changes and improvements in the areas of economic growth, cultural diversity and a more developed economy than nearby towns, heavily centred around mining related activities.

Key environmental studies for the advancement of project licensing stages were completed by Vale. HZM will utilize the studies and baseline data collected by previous owners to inform and expedite new EIA RIMA studies.

The following mining and environmental permits were granted to Vale by the end of 2016:

- EIA/RIMA studies (Environmental Impact Study ('EIS') and Environmental Impact Report ('EIR')) issued
- Award of Preliminary Licence ('LP')

- Environmental Controls Plan issued
- Application for Installation Licence ('LI')
- Final Exploration Report approved
- Mine Plan (Plano de Aproveitamento Economico – PAE) approved

Whilst a new permit pathway is proposed, the previously awarded permits for Vermelho provide a solid basis from which to progress the project permitting

HZM will utilize the Vale studies and baseline data collected to inform and expedite new EIA RIMA studies. As HZM will recommence the licensing for Vermelho, the Company will both update studies and undertake new studies to accurately characterize the current physical environment, biological environment and social settings.

Next Steps

The PFS demonstrates that the Project is technically, economically viable, and is expected to obtain all the regulatory and permitting requirements. Consequently, the Project should progress to a Feasibility Stage.

Qualified Persons

Mr Anthony Finch, P Eng. (APEGBC), B.Eng, B Econ, MAusIMM (CP Mining), Independent Consultant;

Mr Andrew Ross, BSc (Hons), MSc, FAusIMM, Executive Consultant, Snowden Mining Industry Consultants Pty Ltd;

Simon Walsh, BSc (Extractive Metallurgy and Chemistry), MBA, MAusIMM (CP), GAICD, Principal Metallurgist, Simulus (Engineers & Laboratories) Pty Ltd;

are the Qualified Persons under NI 43-101, and have reviewed, approved and verified the technical content of the PFS, related to their area of expertise.

OPERATIONS IN BRAZIL

Ownership of the Araguaia Project under Brazilian Law

In Brazil, there are legal restrictions to the ownership of assets by foreign persons and foreign companies. One example of these restrictions apply to mineral rights' ownership: a non-Brazilian (i.e., foreign) person or legal entity cannot hold mineral rights in Brazil (article 176, paragraph 1 of Brazilian Federal Constitution). However, the Brazilian subsidiary of a foreign person or foreign entity may hold ownership of mineral rights and other assets related to a mine (subject to certain restrictions on real estate's ownership, as described below), except if such mineral rights are located within a border region (Brazilian Federal Law n. 6.634/79).

The Araguaia South Project is owned by the Company's 100% owned subsidiary, Araguaia Níquel Metais Ltda. ("ANML"), a company existing under the laws of Brazil, while the Araguaia North Project is currently owned by the Company's wholly-owned Brazilian subsidiary Typhon Brasil

Mineração Ltda. (“**TBML**”) and is being transferred to ANML due to TBML total spin-off through the Araguaia Project. The Araguaia Project is not located within a border region.

Regarding real estate’s ownership rights, restrictions apply to ownership of land by foreign persons or entities or by Brazilian companies controlled by foreign persons or entities. Such restrictions were established by Brazilian Federal Law n. 5.709, of October 7, 1971, and by Brazilian Federal Decree n. 74.965/74, which stipulate the maximum areas that may be owned by a foreign person, legal entity or a Brazilian subsidiary, and the requirements in respect of obtaining prior authorization of the INCRA (*Instituto Nacional de Colonização e Reforma Agrária*, the Brazilian federal agency responsible for carrying out land reform and national rural land planning) before acquiring or leasing rural lands. Such maximum areas vary in accordance with the region and the municipality where the land is located. Until 2010, such restrictions applied only to foreign persons or legal entities. However, in 2010, the Attorney General Office reinterpreted the Brazilian legislation relating to land acquisitions, and held that restrictions were also applicable to Brazilian subsidiaries of foreign persons or legal entities. On December 15, 2020, the Brazilian Senate approved a bill that facilitates Brazilian companies controlled by foreigners to acquire rural lands. The bill is currently being analyzed by the House of Representatives.

The Company is able to verify its rights over Araguaia Project’s real estate through:

- (a) receipt and review of title opinions regarding the Company’s mineral rights to the Araguaia Project provided by the Company’s Brazilian legal counsel;
- (b) searches conducted before the *Agência Nacional de Mineração*, the Brazilian federal agency responsible for regulating, granting titles – including exploration permits and other titles – and controlling the mining activity) (the “**ANM**”);
- (c) correspondences exchanged with the ANM pursuant to which exploration plans and detailed reports of work performed and geological and technological studies are required to be submitted;
- (d) payment to the ANM in respect of government fees, charges, taxes and annual exploration fees on the mineral titles held;
- (e) review, negotiation and execution of various asset purchase agreements relating to the acquisition/transfer of certain mining titles, as more fully described in the technical report; and
- (f) execution of agreements with certain possessors of surface land covering the majority of the area used in Araguaia Project.

Permits, Business Licenses and Other Approvals

The government of Brazil regulates mining activities through the Ministry of Mines and Energy (“**MME**”), and ANM, which are the regulatory authorities in charge of granting titles for mining exploration and mining exploitation. In addition, the Federal and State environmental authorities regulate mining activities by licensing all steps of operations that have any environmental impact. All of the directors and executive officers receive updates from technical experts in this regard, allowing them to become familiarized with applicable regulations.

The material permits and business licenses required for the Company to be able to carry out business operations in Brazil, through a subsidiary or controlled company, are:

- Registration of any Brazilian subsidiaries and their foreign shareholders with the Central Bank of Brazil (“**BACEN**”) and compliance with regulations regarding foreign direct

investment. In particular, all international transfers of funds or foreign direct investments related to Brazilian subsidiaries (including their shares) must be registered with BACEN. All such registrations have been completed by the Company and its Brazilian subsidiaries.

- Registration of any Brazilian subsidiary with the boards of trade of the states in which such Brazilian subsidiary is incorporated and any state in which the subsidiary has a branch office. A board of trade is a governmental authority responsible for the approval, registration, filing, and publication of certain corporate information and functions as the Brazilian registry of commerce. The Company's Brazilian subsidiaries, ANML, HM do Brasil Mineração Ltda., and TriasBrasil Mineração Ltda. (collectively, the "**Foreign Operating Entities**") are incorporated in the state of Minas Gerais and have branch offices in the state of Pará and are therefore registered with the boards of trade of these states.
- For each Brazilian subsidiary and foreign shareholder of a Brazilian entity, appointment of a legal representative, who is resident in Brazil, to act on behalf of the Brazilian subsidiary's foreign shareholder, including to receive service of process and subpoenas. A power of attorney or equivalent document in respect of such appointment must be filed with the board of trade of the state in which a Brazilian subsidiary is incorporated. The document appointing such representative must be certificated by the Brazilian consulate in the foreign shareholder's jurisdiction of residence or incorporation and translated into Portuguese by an official translator. In the case of the Foreign Operating Entities, a Brazilian resident has been appointed to act as the legal representative on behalf of the Company (or its controlled entities which hold direct interest in the Foreign Operating Entities). Additionally, a power of attorney or equivalent document in respect of such appointment has been filed with the board of trade in the state of Minas Gerais and has been certified as aforesaid.
- Registration with the federal, municipal and state revenue authorities (with registration at the municipal and state authorities to be made in every city and state in which a Brazilian subsidiary has a head or branch office). In the case of the Company, the Foreign Operating Entities are registered in the jurisdictions in which their head office is located (in the city of Belo Horizonte, the municipality of Belo Horizonte, in the state of Minas Gerais) and branch offices are located (in the cities of Conceição do Araguaia, Xinguara and Canaã dos Carajás, the municipalities of Conceição do Araguaia, Xinguara and Canaã dos Carajás, respectively, all in the state of Pará).
- Obtaining a "functioning permit" issued by city hall in each jurisdiction in which a Brazilian subsidiary has a head or branch office. In the case of the Company, the Foreign Operating Entities have obtained functioning permits in the city of Belo Horizonte, in the municipality of Belo Horizonte, in the state of Minas Gerais, in the cities of Conceição do Araguaia, Xinguara and Canaã dos Carajás, the municipalities of Conceição do Araguaia, Xinguara and Canaã dos Carajás, respectively, all in the state of Pará. These represent all of the jurisdictions where the Foreign Operating Entities have a head or branch office.
- Obtaining a (i) "preliminary license"; (ii) an "installation license" and (iii) an "operating license", all of which are to be issued by the state environmental agency in Pará. Regarding Araguaia South Project, the ANML has already obtained the installation license and is currently working to obtain the operating license. Regarding Araguaia North Project, ANML is working to obtain a preliminary license to mineral exploitation.
- Obtaining exploration licenses and mining concessions, as the case may be, each to be granted, respectively, by the ANM and by the MME.

The Company believes that ANML has all required permits, business licenses and other regulatory approvals to carry out its business in Brazil as currently conducting an internal review of its paperwork, registrations and legal requirements on a quarterly basis.

All of the minute books and corporate records and documents of the registered Foreign Operating Entities are filed at the relevant entity's headquarters in Belo Horizonte, Minas Gerais, and with the board of trade in Belo Horizonte, Minas Gerais.

Corporate Structure of Foreign Operating Entities

The Foreign Operating Entities are each indirect subsidiaries of the Company. Each of the Foreign Operating Entities is incorporated as a limited liability company (called a "sociedade limitada" or "Ltda."). The Company indirectly holds 100% of each of the Foreign Operating Entities' shares, controls and has the power and capacity to cause such subsidiaries to carry on their business in accordance with the Company's instructions.

Under applicable Brazilian law, a limited liability company is not required to have a board of directors, but must be administrated by one or more officers who are elected by the company's shareholders to manage and represent the company. The officers elected by the limited liability company's shareholders must be resident in Brazil, but need not be shareholders themselves. The Company controls the Foreign Operating Entities by virtue of common management and by its indirect ownership of the totality of the shares issued by such entities. The Company's management has the (i) power to appoint and dismiss, at any time, any and all of the Foreign Operating Entities' officers, (ii) power to instruct the Foreign Operating Entities' officers to pursue business activities in accordance with the Company's wishes, and (iii) legal right, as a shareholder, to require the officers of each such Foreign Operating Entity to comply with their fiduciary obligations. The Company can also enforce its rights by way of various shareholder remedies available to it under Brazilian law. As a result, the management of the Company can effectively align its business objectives with those of the Foreign Operating Entities and implement such objectives at the subsidiary level.

The Company, by virtue of its ability to control the Foreign Operating Entities in the manner described above, can remove and appoint its Brazilian subsidiaries' officers in a straightforward manner. Generally, officers can be removed by way of a simple communication stating that such officer is being removed from his or her position, and an associated filing with the applicable board of trade. Where a director is nominated in a Brazilian subsidiary's articles of association, such director may only be removed by way of an amendment to the articles. In the case of the Foreign Operating Entities, only the Company may amend each subsidiary's articles of association, and it may do so without having to obtain the consent of third parties, so long as the amendment complies with the applicable Brazilian law. The Board, through its corporate governance practices, regularly receives management and technical updates and progress reports in connection with the Foreign Operating Entities, and in so doing, maintains effective oversight of their respective businesses and operations. Furthermore, the opening and closing of bank accounts in the name of a Foreign Operating Entity is controlled, overseen and approved by the Company's Chief Financial Officer.

The Araguaia Project includes twenty six exploration licenses held by the Company's Brazilian subsidiary, ANML (which is a wholly owned subsidiary of Horizonte Nickel (IOM) Ltd., a company incorporated in the Isle of Man and an indirect wholly owned subsidiary of the Company). Through this ownership structure, and the rights accorded to shareholders in "sociedade limitada"

structures under Brazilian law, the Company is able to maintain effective control over ANML and its representative officers.

The risks of the corporate structure of the Company and its subsidiaries are risks that are typical and inherent for Companies that have material assets and property interests held indirectly through foreign subsidiaries and located in foreign jurisdictions. The Company's material property is located in Brazil and hence the Company's business and operations are exposed to various levels of political, economic, and other risks and uncertainties associated with operating in a foreign jurisdiction such as difference in laws, business cultures and practices, banking systems and internal control over financial reporting. Such risks that are deemed to be relevant to the Company in this regard are disclosed in this AIF under the subheadings entitled "Risk Factors - Operations in Brazil" and "Risk Factors - Foreign country and political risk". See also "Risk Factors – Foreign Operations".

The Company has been advised by its Brazilian counsel that there are currently no restrictions or conditions that have been imposed by the government of Brazil on the Company's ability to operate in Brazil.

In order to impose such restrictions or conditions, a change would be required to the Federal Constitution and other Brazilian laws, which is a time-consuming and difficult process and is unanticipated at this time. However, Brazilian governmental authorities, including those referred to in the paragraphs above, have powers to enact their own regulations, subject to certain statutory restrictions and provided that such regulations do not conflict with existing law. A change to regulations of this nature, if enacted, could affect the Foreign Operating Entities' ability to carry out their respective businesses and operations.

Such risks are mitigated by the Board exercising control over the entire corporate structure by having the authority to cause the removal of the officers of each of the Foreign Operating Entities, by the use of local experts (accounting, legal, tax consultants), by maintaining local bank accounts with accredited banking institutions and exercising strong controls over the use of cash, by performing monthly analytical reviews of the consolidated books and records at the Company's head office and by personal inspection and visits to the offices and project locations of the Foreign Operating Entities in Brazil by the Company's key management (namely, the Chief Executive Officer and Chief Financial Officer) on a regular basis.

Financial Controls and Flow of Funds

The Company has no operations and maintains no bank accounts or cash balances in Canada. The Company conducts its corporate management from the United Kingdom and the Isle of Man. The Company hires and engages local experts and professionals (i.e., legal and tax consultants) to advise the Company with respect to current and new regulations in respect of banking, financial and tax matters. The Company utilizes large, established and well recognized financial institutions in the United Kingdom, Isle of Man, the Netherlands and Brazil and applies consistent levels of control in all jurisdictions.

Until the Foreign Operating Entities reach production and generate revenue, all transfers of funds have been and will continue to be from the Company to the Foreign Operating Entities pursuant to an inter-company credit facility or a capitalization through issuance of shares. Once the Foreign Operating Entities generate revenues, the Board will be able to cause the Foreign Operating

Entities to transfer funds and accomplish the various operating aspects of the business by way of its ability to exert effective control over the Foreign Operating Entities as explained above.

Outside of Brazil, bank accounts are held in the United Kingdom, the Netherlands and the Isle of Man. Differences in banking systems and controls between the United Kingdom, the Netherlands, Isle of Man, and Brazil, are addressed by having stringent controls over cash in all the locations; especially over access to cash, cash disbursements, appropriate authorization levels, performing and reviewing bank reconciliations in Brazil on a monthly basis and the segregation of duties. The Company pays all Canadian fees and expenses from bank accounts in the United Kingdom or the Isle of Man.

The flow of funds from the United Kingdom, the Netherlands, and the Isle of Man to Brazil is ensured to function as intended through maintaining the registration of the Foreign Operating Entities with the BACEN. The Company and its Isle of Man subsidiaries are also registered at BACEN. In this way, remittances to Brazil are always sent through a correctly registered and recognized channel.

Corporate Governance and Oversight

The Company has no staff in Canada, but operates a corporate head office in the United Kingdom. The difference in cultures and practices between the United Kingdom and Brazil is addressed by employing competent staff in Brazil who are familiar with the local laws, business culture and standard practices, have local language proficiency, are experienced in working in Brazil and dealing with the respective government authorities, and have experience and knowledge of the Brazilian banking systems and treasury requirements.

All of the Company's directors and executive officers have some familiarity with the legal and regulatory requirements of Brazil as many of the directors have previous experience working and conducting business in Brazil. Moreover, the Company's officers are required to attend internal meetings and presentations created by Brazilian legal counsel whereby they are apprised of new developments in the legal regime and new requirements that come into force from time to time, such that management is kept aware of relevant material legal developments in Brazil as they pertain to and affect the Company's business and operations. Any material developments are then discussed with the directors at the Board level.

Additionally, directors and officers of the Company attend seminars and presentations from time to time provided by legal and accounting firms on developments in Brazil and South America. The directors and officers also work closely with Brazilian counsel and Brazilian employees of the Company to understand and subsequently adjust firm strategies and practices in connection with changes in Brazilian laws and regulatory regimes.

The Company maintains internal control over financial reporting with respect to its operations in Brazil by taking various measures. The Chief Executive Officer has the relevant Brazilian cultural understanding and work experience which facilitates better understanding and oversight of the Brazilian operations in the context of internal controls over financial reporting.

Pursuant to the requirements of National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings*, the Company assesses the design of its internal controls over financial reporting on an annual basis. Furthermore, key controls for the accounts in scope are

tested across the Company on an annual basis and the working papers of these tests performed at all the locations are reviewed at the head office level.

The Board has delegated authority to the members of the Audit Committee in respect of several functions that are documented in the Audit Committee Terms of Reference which is appended as “Schedule A” to this AIF. In particular, the Audit Committee has the authority required by Section 4.1 of National Instrument 52-110 - *Audit Committees*, pursuant to Sections 23, 26, and 36 – 42 of the Audit Committee Terms of Reference.

The oversight built into the policies and procedures of the Company in respect of the Foreign Operating Entities is supplemented by meeting with local management in Brazil and visits by directors and management of the Company to the Araguaia Project and the Company’s operations in Brazil, as follows:

- the directors visit the Company’s operations in Brazil every 12 to 18 months, as circumstances require;
- the Chief Executive Officer visits the Company’s operations in Brazil every 4 to 6 weeks; and
- the Chief Financial Officer visits the Company’s operations in Brazil every 6 to 12 months.

The directors, the Chief Executive Officer and the Chief Financial Officer meet with local management each time they visit the Company’s operations in Brazil.

Experience of Directors and Officers Operating in Brazil

The Company’s existing management team has been in place for up to 14 years, and has conducted business in Brazil through its involvement with the Araguaia Project, predecessor properties, and other operations based in Brazil since that time.

Furthermore, the following directors and officer have additional experience conducting business in Brazil:

- David Hall, the Company’s non-Executive Chairman, has extensive South America and Brazil experience. Mr. Hall was based in Brazil for four years from 1997 until 2001 when he was employed by Minorco plc and AngloGold Ashanti plc to manage their exploration programmes in Brazil and elsewhere in South America.
- Allan Walker, a non-Executive Director of the Company, was based in Brazil between 1990 and 2001, where he was employed in banking by ING Barings and later Credit Suisse First Boston Garantia. Mr. Walker has continued in his business dealings with Brazil in his subsequent employment.
- Owen Bavinton, a non-Executive Director of the Company, lived in Brazil from 1981 to 1985, when he worked for Western Mining, managing the company’s exploration activities in the country. Mr. Bavinton has also continued in his business dealings with Brazil in his subsequent employment, notably as head of exploration worldwide for Anglo American plc.

Knowledge of the local business, culture and practices is imparted by these individuals to other directors and officers of the Company. Furthermore, several of the directors and officers visit Brazil on a regular basis in order to ensure effective control and management of the operations and as a result come into contact with other employees, personnel, government officials, business

persons and customers who are locals in Brazil, which enable them to enhance their knowledge on these fronts.

Communication with Foreign Operating Entities and the Brazilian Government

Each member of the management team located in Brazil speaks fluent Brazilian Portuguese and all are proficient in English. Of the management team located in the United Kingdom, Allan Walker, non-Executive Director of the Company, have a working knowledge of Brazilian Portuguese. Jeremy Martin, Chief Executive Officer of the Company, and also located in the United Kingdom, has a conversational knowledge of Brazilian Portuguese. Messrs. Walker and Martin are all fluent in English. The primary language used in management and Board meetings is English. The management team located in Brazil who deals directly with the operating staff and outside consultants will communicate in Brazilian Portuguese with such individuals as necessary. Both the Foreign Operating Entities and the Company have translators on staff to assist with all communication requirements, as needed.

Material documents relating to the Company that are provided to the Board are in English. Senior management of the Foreign Operating Entities in Brazil are all proficient in English and each of the Company and the Foreign Operating Entities have translators on staff to assist with all translation requirements. In addition, the Company has relationships with several commercial translation companies that can assist with excess translation requirements, if needed.

The Company does not currently have a formal communication plan or policy in place and has not to date, experienced any communication-related issues due to the fact that the management team located in Brazil has proficiency in the English language. As the business continues to increase in size and complexity, the Company will, from time to time, re-evaluate whether a formal communication policy is necessary.

RISK FACTORS

AN INVESTMENT IN THE COMPANY IS HIGHLY SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK AS THE COMPANY HAS A SHORT OPERATIONAL HISTORY AND ITS PRINCIPAL BUSINESS IS ONE OF MINERAL EXPLORATION AND EXPLOITATION.

The following discussion summarises the principal risk factors that apply to the Company's business and that may have a material adverse effect on the Company. In addition to all other information set out in this AIF, and the usual risks associated with an investment in a business at an early stage of development, potential investors should carefully consider the risk factors described below, which the directors consider to be the most significant to potential investors in the Company, before making a decision to invest in the Company. If any events or circumstances giving rise to any of the following risks, together with the possible additional risks and uncertainties of which the directors are currently unaware or which they consider not to be material in relation to the Company's business, actually occur, the Company's business, financial condition, results or future operations could be materially and adversely affected. In such circumstances, the price of the Ordinary Shares could decline and investors could lose all or part of their investment.

Exploration and mining risks

The business of exploring for minerals and mining involves a high degree of risk. Only a small proportion of the properties that are explored are ultimately developed into producing mines. The mining areas presently being assessed by the Company may not contain economically recoverable volumes of minerals or metals. The operations of the Company may be disrupted by

a variety of risks and hazards which are beyond the control of the Company, including geological, geotechnical and seismic factors, fires, power outages, labour disruptions, flooding, explosions, cave-ins, land-slides and the inability to obtain suitable or adequate machinery, industrial and mechanical accidents, equipment or labour and environmental hazards (including discharge of metals, pollutants or hazardous chemicals) and other risks involved in the operation of mines and the conduct of exploration programmes.

As is common with all mining operations, there is uncertainty and therefore risk associated with the Company's operating parameters and costs. These are difficult to predict and are often affected by factors outside the Company's control. The Company has relied, and may continue to rely, upon consultants and others for operating expertise. Should economically recoverable volumes of minerals or metal be found, it may take a number of years from the initial phases of drilling and identification of mineralisation until production is possible, during which time the economic feasibility of production may change. Substantial expenditure is required to establish National Instrument 43-101 mineral reserves through drilling, to develop metallurgical processes, and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralised deposit, no assurance can be given that minerals will be discovered in sufficient quantities or having sufficient grade to justify commercial operations, or that funds required for development can be obtained on a timely basis. The economics of developing nickel, gold and other mineral properties is affected by many factors, including the cost of operations, variations of the grade of ore mined, fluctuations in the price of nickel, gold or other minerals produced, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. In addition, the grade of mineralisation ultimately mined may differ from that indicated by drilling results and such differences could be material. Short term factors, such as the need for the orderly development of ore bodies or the processing of new or different grades, may have an adverse effect on exploration or mining operations and on the results of operations.

Major shareholder

Teck currently beneficially owns 14.5 per cent of the Company's issued share capital. Teck may be able to exercise a significant degree of influence over matters requiring shareholder approval, including the approval of significant corporate transactions, which may have the effect of delaying, preventing or deterring a change in control of the Company; depriving shareholders of an opportunity to receive a premium for their Ordinary Shares as part of a sale of the Company; and impacting upon the market price of the Ordinary Shares and/or other securities of the Company.

The Company will need additional access to capital in the future

The Company's capital requirements depend on numerous factors, including whether a viable mineral find is located which could lead to commercially viable production. If its capital requirements vary materially from its current plans, the Company may require significant additional financing. Any additional equity financing may be dilutive to shareholders, and debt financing, if available, may involve restrictions on financing and operating activities. In addition, there can be no assurance that the Company will be able to raise additional funds when needed or that such funds will be available on terms that are favourable to the Company. If the Company is unable to obtain additional financing as needed, the Company may be required to reduce the scope of its operations or anticipated expansion or to cease trading.

The Company may face competition from competitors with much greater capital

The Company may face significant competition, both actual and potential, including competition from competitors that have greater capital resources than those of the Company for the acquisition and exploitation of mineral concessions, as well as for the recruitment and retention of qualified employees. There is no assurance that the Company will be able to compete successfully with such companies.

Dependence on the Araguaia and Vermelho Projects

The Company's activities are focused primarily on the Araguaia Project and the newly acquired Vermelho Project. Araguaia is at a significantly more advanced stage having completed a Feasibility Study, with Vermelho undergoing a Pre-Feasibility Study which is due for completion during 2019. As such any adverse changes or developments affecting the Araguaia Project, such as, but not limited to, the Company's inability to successfully obtain financing on commercially suitable terms, hire suitable personnel and mining contractors, or secure an off-take agreement on commercially suitable terms or at all, may have a material adverse effect on the Company's financial performance and results of operations.

No production revenues

To date, the Company has not recorded any revenues from its mining projects nor has the Company commenced commercial production on any of its properties. There can be no assurance that significant additional losses will not occur in the near future or that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years as the required consultants, personnel and equipment associated with advancing exploration, development and commercial production of its properties are added. The amounts and timing of such expenditures will depend on the progress of ongoing exploration and development, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, and the Company's acquisition of additional properties and other factors, some of which are beyond the Company's control. The Company expects to continue to incur losses unless and until such time as its properties enter into commercial production and generate sufficient revenues to fund its continuing operations. The development of the Company's properties will require the commitment of substantial resources to conduct the exploration and development of properties. There can be no assurance that the Company will generate any revenues or achieve profitability.

Effecting service of process

Certain of the Company's directors reside outside of Canada. Substantially all of the assets of these persons are located outside of Canada. It may not be possible for investors to effect service of process within Canada upon certain of the directors, officers and experts named in this AIF. It may also not be possible to enforce against the Company, certain of its directors and officers, and certain experts named herein, judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable securities laws in Canada.

Operations in Brazil

The Company's operations are primarily conducted in Brazil and, as such, the Company's operations are exposed to various levels of political, economic and other risks and uncertainties. These risks and uncertainties vary from time to time and include, but are not limited to: terrorism; hostage taking; military repression; extreme fluctuations in currency exchange rates; high rates of inflation; labour unrest; the risks of war or civil unrest; expropriation and nationalization;

renegotiation or nullification of existing concessions, licences, permits and contracts; illegal mining; changes in taxation policies; restrictions on foreign exchange and repatriation; and changing political conditions, currency controls and governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction.

Changes, if any, in mining or investment policies or shifts in political attitude in Brazil or any other relevant jurisdiction in which the Company operates may adversely affect the Company's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income and other taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral right applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the Company's operations or profitability.

No experience of development-stage mining operations

The Company has no previous experience in placing mineral resource properties into production. However the current management team has such experience in previous roles. The Company's ability to do so will be dependent upon using the services of appropriately experienced personnel or entering into agreements with other resource companies that can provide such expertise. There can be no assurance that the Company will have available to it the necessary expertise when and if it decides to place its resource properties into production.

Estimates of mineral inventory and production risks

No assurance can be given that any proven or probable reserves will be discovered, or that any particular level of recovery of minerals will in fact be realised, or that an identified target will ever qualify as a commercially mineable (or viable) deposit which can be economically exploited. Mineral exploration is speculative in nature and there can be no assurance that any mineralisation discovered will result in the establishment of proven and probable mineral reserves, as those terms are defined in NI 43-101. Production can be affected by such factors as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. The indication of the mineral inventory described in this document should not be interpreted as assurances of commercial viability, potential or profitability of any future operations.

Metal prices

The metal exploration and development industry in general is intensely competitive and there is no assurance that, even if commercial quantities of proven and probable mineral reserves are discovered, a profitable market may exist for the sale of the same. Factors beyond the control of the Company may affect the marketability of any substances discovered. Metal prices have fluctuated widely in recent years. The marketability of metals is also affected by numerous other factors beyond the control of the Company, including government regulations relating to price, royalties, allowable production and importing and exporting of minerals, the effect of which cannot accurately be predicted. A decline in the market price of metals mined by the Company may

render mineral reserves containing relatively low grades of mineralisation uneconomic and may in certain circumstances ultimately lead to a restatement of mineral reserves.

Uninsured risks

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fire, flooding and earthquakes, as well as environmental pollution, may occur. It is not always possible to fully insure against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increased costs, have a material adverse effect on the Company's results and a decline in the value of the securities of the Company.

Environmental and other regulatory requirements

The activities of the Company are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation generally provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which means stricter standards, and enforcement and fines and penalties for noncompliance are more stringent. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations.

The current exploration activities of the Company require permits from various governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, safety and other matters. Companies engaged in exploration activities generally experience increased costs and delays as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that all permits which the Company may require for exploration or exploitation will be obtainable on reasonable terms or on a timely basis or at all, or that such laws and regulations would not have an adverse effect on any project that the Company may undertake. The Company believes it is in substantial compliance with all material laws and regulations which currently apply to its activities. However, there may be unforeseen environmental liabilities resulting from exploration and/or mining activities and these may be costly to remedy or not capable of being remedied.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or to be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. There can be no assurance that compliance with these laws and regulations, permitting requirements or changes thereto or the cost of rehabilitation of site operations which have been closed down or the failure to obtain necessary permits, approvals or leases or successful challenges to the grant of such permits, approvals and leases will not adversely affect the results of operations or the financial condition of the Company. Parties engaged in exploration operations may be required to compensate those suffering loss or damage by reason of the exploration activities and may have

civil or criminal fines or penalties imposed for violations of applicable laws, regulations or permitting requirements and, in particular, environmental laws.

Amendments to current laws, regulations and permits governing operations and activities of exploration companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in expenditures and costs, or require abandonment, or cause delays in developing new mining properties.

Exploration, mining and other licences

The Company's exploration and mining activities are dependent upon the grant of appropriate licences, concessions, leases, permits and regulatory consents ("**Authorisations**") which may be granted for a defined period of time, may not be granted or may be withdrawn or made subject to limitations. There can be no assurance that such Authorisations will be renewed following expiry or granted (as the case may be) or as to the terms of such grants or renewals. There is also no guarantee that the issue of a reconnaissance, prospecting or exploration licence will ensure the subsequent issue of an exploitation licence.

Risk of payment obligations

Under the exploration licences and certain other contractual agreements to which subsidiaries of the Company are or may in the future become parties, such subsidiaries are or may become subject to payment and other obligations. If such obligations are not complied with when due, in addition to any other remedies that may be available to other parties, this could result in dilution or forfeiture of interests held by such subsidiaries.

The Company may not have, or be able to obtain, financing for all such obligations as they arise.

Title matters and land access

Title to, and the area of, mining concessions, may be disputed. While the Company has diligently investigated title to all of its mineral concessions and, to the best of its knowledge, title to all of its concessions is in good standing, the concessions may be affected by undisclosed and undetected defects. In addition, although the holder of a mineral concession in Brazil has relevant land access through private property, including the soil and subsoil in the area in question as well as in neighbouring areas, for performance of the relevant work, the Company has in the past experienced challenges from landowners relating to land access, rent and compensation for parts of property that are affected by exploration. There can be no assurance that the Company will not receive further challenges from landowners in the future. Any such challenges could prevent the Company from obtaining access to land in order to carry out exploration or mining works and could have a material effect on exploration or mining operations and on the results of operations.

Financing risks

The Company is of the view, having made due and careful enquiry, are of the opinion that a the company is likely to require additional financing to be secured during the next twelve months from the date of this AIF. Refer to the annual report for further information. Thereafter, further exploration and development of one or more of the Company's tenements will be dependent upon the Company's ability to obtain financing through joint ventures, equity or debt financing or other means. Significant inflation levels may have a detrimental effect on the Company, and a significant increase in costs against the Company's expectations may also have an adverse impact on the Company's financial situation. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be

favourable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of its projects, with the possible loss of relevant concessions. Any additional financing may be dilutive to shareholders and debt financing, if available, may involve restrictions on other financing and operating activities.

Dependence on relations with third parties

The Company's planned work program will depend on the Company engaging contractors to carry out the work. The success of the planned work programme therefore depends in part on the Company's ability to employ or engage suitable people to carry out this work.

Foreign country and political risk

All of the Company's interests are currently located in Brazil and, consequently, the Company is subject to certain risks, including currency fluctuations and possible political or economic instability in those countries or in the region which may result in the impairment or loss of metal concessions or other metal rights, and metal exploration and mining activities may be affected in varying degrees by political stability and government regulations relating to the mining industry. Any changes in regulations or shifts in political attitudes are beyond the control of the Company and may adversely affect its business. Exploration may be affected in varying degrees by government regulations with respect to restrictions on future exploitation and production, price controls, export controls, foreign exchange controls, income taxes, expropriation of property, environmental legislation and mine and/or site safety.

In addition, in view of the Company's activities in overseas jurisdictions, legal uncertainties, ambiguities, inconsistencies and anomalies, which would not necessarily exist in the United Kingdom or Canada, may arise. In particular, difficulties may arise in seeking to obtain redress through the legal courts in Brazil. There can be no assurance that joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions of governmental authorities or others and the effectiveness of and enforcement of such arrangements in these jurisdictions cannot be assured.

Although there are no longer restrictions on the foreign ownership of mining companies in Brazil, there can be no assurance that the requirements of the Brazilian government as to the foreign ownership and control of mining companies will not change in the future.

Currency exchange risk

The Company reports its financial results in pounds sterling, while the markets for nickel, gold and silver are principally denominated in US dollars and a proportion of the Company's costs are incurred in local currencies, in particular the Brazilian real and the Canadian, Australian and US dollar. Accordingly, if any of these were to strengthen against the US dollar or pound sterling, this could have a detrimental effect on the Company's results or financial condition. The Company's assets and liabilities will be subject to the same exchange rate fluctuations which could also have a significant effect on the Company.

Fluctuations in exchange rates between currencies in which the Company operates relative to pounds sterling may cause fluctuations in its financial results. The Company cannot predict the effect of exchange rate fluctuations upon future operating results and there can be no assurance that exchange rate fluctuations will not have a material adverse effect on its business, operating results or financial condition.

United Kingdom Stamp Taxes on Transfer of Shares to CDS Clearing and Depository Services Inc.

Persons wishing to transfer Ordinary Shares held outside CDS Clearing and Depository Services Inc. ("CDS") into CDS will be required to meet the UK stamp duty (or SDRT if there is an agreement but no instrument) payable by CDS on the transfer and to provide evidence to the UK registrar that such stamp duty or SDRT has been paid in order for the transfer to be registered. Accordingly, until such time as sufficient Ordinary Shares have been transferred to CDS to allow shareholders resident in North America to transfer shares between each other within CDS, a person resident in North America who wishes to acquire a number of Ordinary Shares in excess of the Ordinary Shares available to acquire within CDS will have to acquire such further shares outside of CDS and should then transfer such shares to CDS. Such persons will be required to meet the UK stamp duty (or SDRT if there is an agreement but no instrument) payable by CDS (at 1.5% of the consideration payable for such shares) on the transfer and to provide evidence to the UK registrar that such stamp duty or SDRT has been paid in order for the transfer to be registered. If an existing holder of Ordinary Shares wishes to transfer his Ordinary Shares onto the Canadian register, he will be required to transfer the Ordinary Shares to CDS and pay UK stamp duty (or SDRT if there is an agreement but no instrument) at 1.5% of the open market value of the Ordinary Shares as at the date of transfer. See "Capital Structure –Stamp Duty Reserve Tax".

Management of future growth

The Company's plans to continue its growth will place additional demand on the Company's management and administrative and technological resources. If the Company is unable to manage its growth effectively, its business operations or financial condition may deteriorate. To date, the Company has grown through acquisitions and through organic growth.

Project development risks

The Company plans to continue to develop both its current operations and new projects. There can be no assurance that the Company's projects will be fully developed in accordance with the Company's current plans or completed on time or to budget or at all.

The Company's strategy depends, to a certain extent, on its ability to make additional acquisitions of mining rights or assets. The Company cannot guarantee that it will be able to identify appropriate properties or negotiate acquisitions on favourable terms or that it will be able to obtain the financing necessary to complete such future acquisitions.

Trading market for the Ordinary Shares

The market price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions, legislative changes in the Company's sector and other events and factors outside of the Company's control.

In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Ordinary Shares.

Listing of the Ordinary Shares on the TSX should not be taken as implying that there will be a liquid market for the Ordinary Shares and there is no guarantee that an active market will develop

or be sustained after such admission. It may be more difficult for an investor to realise its investment in the Company than in a company whose shares are quoted on the Toronto Stock Exchange.

Dependence on key personnel

The Company's success depends to a significant extent upon a limited number of key employees. The loss of one or more key employees could have a material adverse effect on the Company. The Company has not taken out and does not intend to take out key man insurance in respect of any of its directors or other employees. No assurances can be given that the loss of any executive officer of the Company would not have a material adverse effect on the business, financial condition or results of operations of the Company. The Company has endeavoured to ensure that the key employees are incentivised, but the retention of such staff cannot be guaranteed.

Possible conflicts of interest of directors and officers

Certain of the directors and officers of the Company may also serve as directors and/or officers of other companies involved in natural resource exploration and development and, consequently, there exists the possibility for such directors and officers to be in a position of conflict. The Company expects that any decision made by any of such directors and officers involving the Company will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Company and its shareholders, but there can be no assurance in this regard.

Legislation and regulation

There can be no assurance that changes to the legal or regulatory framework within which the Company operates may not have an adverse effect on the Company's business.

The possibility exists that new legislation or regulations may be adopted in the future that may materially adversely affect the Company's operations or its cost structure. New legislation or regulations, or different or more stringent interpretation or enforcement of existing laws and regulations, may also require the Company or its customers to change operations significantly or incur increased costs which could have an adverse effect on the results of operations or the financial condition of the Company.

COVID-19 Outbreak

The current and ongoing global uncertainty with respect to the spread of COVID-19, the rapidly evolving nature of the pandemic and local and international developments related thereto and its effect on the broader global economy and capital markets may have a negative effect on the Company and the advancement of the Vermelho Project and Araguaia Project. While the precise impact of the COVID-19 outbreak on the Company remains unknown, rapid spread of COVID-19 and declaration of the outbreak as a global pandemic has resulted in travel advisories and restrictions, certain restrictions on business operations, social distancing precautions and restrictions on group gatherings which are having direct impacts on businesses around the world and could result in travel bans, closure of assay labs, work delays, difficulties for contractors and employees getting to site, and diversion of management attention all of which in turn could have a negative impact on the advancement of the Vermelho Project and Araguaia Project and the Company generally. The spread of COVID-19 may also have a material adverse effect on global economic activity and could result in volatility and disruption to global supply chains and the financial and capital markets, which could negatively affect the business, financial condition, results of operations, prospects and other factors relevant to the Company. There can be no

assurance that COVID-19 or any other public health crises will not have a material adverse effect on the Company and its business and operations.

The above risk factors do not necessarily comprise all those associated with an investment in the Company.

DIVIDENDS

The Company has never declared or paid cash dividends on the Ordinary Shares.

Subject to the provisions of the 2006 Act, the Company may declare dividends in general meeting, but no dividend shall exceed the amount recommended by the Board. Subject to the aforesaid, the Board may pay such interim dividends as appear to be justified by the profits of the Company available for distribution. Should at any time the share capital of the Company be divided into different classes the Board may pay such interim dividends in respect of those shares which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend but no interim dividend shall be paid on shares carrying deferred or non-preferential rights if at the time of payment any preferential dividend is in arrears. There is no fixed date on which an entitlement to dividend arises. Subject to the rights of those entitled to shares with special rights as to dividend, all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid. No amount paid up on a share in advance of calls may be treated as paid up on the share.

DESCRIPTION OF CAPITAL STRUCTURE

General Description of Capital Structure

The Company has the power to issue an unlimited number of Ordinary Shares. As at the date hereof there were 1,612,095,640 Ordinary Shares issued and outstanding as well as 88,060,100 Special Warrants.

Ordinary Shares

Each Ordinary Share has one vote attached to it. Ordinary Shares may be transferred as follows: (i) in the case of certificated shares, by instrument, in writing in any usual or common form, or in such other form as the Board shall from time to time approve; and (ii) in the case of uncertificated shares, in accordance with and subject to the CREST Regulations and the facilities and requirements of the relevant scheme concerned.

Except as described below, the Ordinary Shares are freely transferable provided that in relation to certificated shares the transfer is in respect of only one class of share and is accompanied by the share certificate and any other evidence of title required by the Board and that the provisions in the Articles relating to the deposit of instruments for transfer have been complied with. The Board may, in its absolute discretion and without giving any reason, refuse to register a transfer of any share: (i) to more than four joint holders; or (ii) where the share is not fully paid up provided

that such action does not prevent dealings in the shares from taking place on an open and proper basis; or (iii) on which the Company has a lien. In addition, the Board may refuse to register a transfer if a notice has been duly served on any member or other person appearing to be interested in any shares (representing at least 0.25 per cent. of the issued shares of the class in question (excluding any shares of that class held as treasury shares) pursuant to section 793 of the 2006 Act and the notice has not been complied with within the period stipulated in the notice.

Shareholders do not have any pre-emption rights in respect of transfers of issued Ordinary Shares.

Shareholders have the benefit of statutory pre-emption rights under the 2006 Act. The Company may not allot Ordinary Shares or grant rights to subscribe for, or convert any security into, Ordinary Shares without first offering such shares or rights to subscribe to existing shareholders in proportion to their holdings, unless shareholders resolve to disapply those rights. The rights may be disapplied by a special resolution of the Company (being a majority of not less than three-quarters of shareholders or their proxies at a Company general meeting). Pre-emption rights do not apply if shares or rights to subscribe shares are allotted for non-cash consideration or in respect of certain issuances of shares and options under employee share schemes.

Shareholders have the right to receive dividends as described above. See “Dividends”.

The Ordinary Shares may, subject to a resolution of the Company’s shareholders, be converted into stock or paid up shares of any denomination.

The Ordinary Shares may, subject to a resolution of the Company’s shareholders, be consolidated, divided, cancelled or sub-divided.

The Ordinary Shares rank equally for capital and on any winding up.

Stamp Duty Reserve Tax

The following statements are intended as a general guide to the current tax law and practice in the UK concerning the application of UK stamp duty or UK stamp duty reserve tax (“SDRT”) in the circumstances set out. Persons who are in any doubt about their tax position should consult their own professional advisers.

There is generally no UK stamp duty or SDRT on the issue of shares by companies incorporated in the UK. Accordingly, no UK stamp duty or SDRT should be payable by investors who are issued Ordinary Shares directly by the Company. Subsequent transfers of Ordinary Shares will give rise to stamp duty at the rate of 0.5% of the consideration paid. Where there is an agreement to sell Ordinary Shares but there is no instrument of transfer, SDRT would be payable at the rate of 0.5% of the consideration payable under the agreement.

Payments of stamp duty are rounded up to the nearest £5 and payments of SDRT are rounded up to the nearest penny. The payment of SDRT in respect of a transfer will frank any stamp duty due and vice versa.

The issue of Ordinary Shares to CDS (or any similar non-European Union based depositary or clearance service) will give rise to a charge to UK stamp duty (or SDRT if there is an agreement but no instrument) at 1.5% of the offering price of such shares. Subsequent transfers of Ordinary Shares within CDS will not give rise to a charge to stamp duty or to SDRT. Transfers of Ordinary Shares held outside CDS into CDS will also give rise to UK stamp duty (or SDRT if there is an agreement but no instrument) at 1.5% of the open market value of the Ordinary Shares as at the

date of transfer. Persons wishing to transfer Ordinary Shares held outside CDS into CDS will be required to meet the UK stamp duty or SDRT payable by CDS on the transfer and to provide evidence to the UK registrar that such stamp duty or SDRT has been paid in order for the transfer to be registered.

Accordingly, until such time as sufficient Ordinary Shares have been transferred to CDS to allow shareholders resident in North America to transfer shares between each other within CDS, a person resident in North America who wishes to acquire a number of Ordinary Shares in excess of the Ordinary Shares available to acquire within CDS will have to acquire such further shares outside of CDS and should then transfer such shares to CDS. Such persons will be required to meet the UK stamp duty (or SDRT if there is an agreement but no instrument) payable by CDS (at 1.5% of the consideration payable for such shares) on the transfer and to provide evidence to the UK registrar that such stamp duty or SDRT has been paid in order for the transfer to be registered.

If an existing holder of Ordinary Shares wishes to transfer his Ordinary Shares onto the Canadian register, he will be required to transfer the Ordinary Shares to CDS and pay UK stamp duty (or SDRT if there is an agreement but no instrument) at 1.5% of the open market value of the Ordinary Shares as at the date of transfer.

Special Warrants

Subject to adjustment in certain instances as set out in the special warrant indenture dated March 9, 2021 between the Company and Computershare Trust Company of Canada ("**Special Warrant Indenture**"), each Special Warrant entitles its holder to receive, upon exercise or deemed exercise, one Ordinary Share. Each Special Warrant shall be deemed exercised and surrendered, without any further action or payment of additional consideration by the holder thereof on the Automatic Exercise Date (as defined in the Special Warrant Indenture), unless previously exercised by the holder.

The Special Warrants rank *pari passu*, whatever may be the actual dates of issuance. The Special Warrant Indenture contains provisions for adjustment to the number of Ordinary Shares issuable upon the exercise of the Special Warrants, including the amount and kind of securities or other property issuable upon exercise, upon the occurrence of certain stated events, including but not limited to any subdivision or consolidation of the Ordinary Shares, certain distributions of Ordinary Shares or securities exchangeable for or convertible into Ordinary Shares, certain offerings of rights, options or warrants and certain capital reorganizations. The adjustments provided for in the Special Warrant Indenture are cumulative and must be made successively whenever an event that triggers such adjustments occurs, subject to certain conditions.

MARKET FOR SECURITIES

Trading Price and Volume

The Ordinary Shares are listed and traded on the TSX under the symbol "HZM". The following table indicates the high and low values and volume with respect to trading activity for the Ordinary Shares on the TSX on a monthly basis during the fiscal year ended 31 December 2020.

HZM Trading Volumes 2020 (Toronto)

Month	High (p)	Low (p)	Average (m)
Jan	0.07	0.07	0.07
Feb	0.08	0.05	0.06

Mar	0.05	0.03	0.04
Apr	0.05	0.03	0.04
May	0.07	0.05	0.05
Jun	0.07	0.06	0.06
Jul	0.09	0.06	0.07
Aug	0.13	0.06	0.08
Sep	0.15	0.11	0.13
Oct	0.14	0.10	0.12
Nov	0.12	0.10	0.11
Dec	0.14	0.11	0.12

Source: Bloomberg

The Ordinary Shares are also listed and traded on the AIM market of the London Stock Exchange (“AIM”) under the symbol “HZM”. The following table indicates the high and low values and volume with respect to trading activity for the Ordinary Shares on the AIM on a monthly basis during the fiscal year ended 31 December 2020.

HZM Trading Volumes 2020 (London)

Month	High (p)	Low (p)	Average (m)
Jan	3.85	3.08	3.51
Feb	3.60	2.85	3.31
Mar	3.00	1.65	2.15
Apr	2.55	1.70	2.13
May	3.90	2.18	3.06
Jun	3.87	3.20	3.43
Jul	4.00	3.25	3.57
Aug	7.65	3.40	4.63
Sep	8.76	6.14	7.11
Oct	7.60	5.70	6.95
Nov	7.20	5.85	6.40
Dec	7.35	6.30	6.74

Source: Bloomberg

Prior Sales

The Company has not completed any sales of Ordinary Shares, or securities convertible or exchangeable into Ordinary Shares, during the 12-month period preceding the date of this AIF, except as described below:

Date of Issuance	Number of Securities Issued	Type of Security	Exercise Price/ Price Per Security
February 19, 2021	162,718,353	Ordinary Shares	\$0.133
March 9, 2021	88,060,100	Special Warrant	\$0.133

DIRECTORS AND OFFICERS

The following table sets forth the name and province and country of residence of each director and executive officer of the Company, as well as such individual's position with the Company, principal occupation within the five preceding years and period of service as a director (if applicable). Each of the directors of the Company hold office until the earlier of the director's death, resignation or removal. At each annual general meeting, each of the directors shall be eligible for re-election. As of 7 April 2020, an aggregate of 8,887,463 Ordinary Shares (representing approximately 0.5% of all issued and outstanding Ordinary Shares as of the date hereof) were beneficially owned or controlled or directed (directly or indirectly) by all of the directors and executive officers of the Company, as a group.

Name and Province and Country of Residence	Position	Principal Occupation Within Five Preceding Years	Director Since	Number of Ordinary Shares Owned, Controlled or Directed⁽¹⁾
Ms Sepanta Dorri, Ontario, Canada	Non-Executive Director	Vice President, Corporate Development at Teck	1 June 2020	Nil 0%
David Hall Ireland ⁽²⁾⁽³⁾	Non-Executive Chairman	Chairman of the Company	8 May 2006	1,039,955 0.065%
Jeremy Martin United Kingdom	Chief Executive Officer and Executive-Director	Chief Executive Officer of the Company	17 March 2006	2,028,908 0.126%
Owen Bavinton ⁽³⁾ United Kingdom	Non-Executive Director	Group Head of Exploration and Geology at Anglo American plc / Consultant	17 January 2012	2,000,000 0.124%
Allan Walker United Kingdom ⁽²⁾⁽³⁾	Non-Executive Director	Consultant	17 March 2006	705,479 0.044%
William Fisher ⁽²⁾⁽³⁾ Ontario, Canada	Non-Executive Director	Company Director	8 June 2011	1,975,000 0.123%
Simon Retter United Kingdom	Chief Financial Officer	Chief Financial Officer of the Company	N/A	1,601,114 0.099%

Notes:

- (1) The information as to Ordinary Shares beneficially owned or over which any of the directors or executive officers exercises control or direction (directly or indirectly) not being within the knowledge of the Company has been furnished by the respective directors and executive officers individually.
- (2) Member of the Remuneration Committee of the Company. Mr. David Hall is the Chairman.
- (3) Member of the Audit Committee. Mr. David Hall is the Chairman.

None of the directors hold 10% or more of the outstanding Ordinary Shares either directly or through their associates.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Company, save for the case of William Fisher and Simon Retter, stated below, no director or executive officer of the Company:

- (a) is, as at the date of this AIF, or has been within 10 years before the date of this AIF, a director, chief financial officer or chief executive officer of any company that was subject to:
 - (i) a cease trade or similar order or an order which denied the relevant company access to any exemption under securities legislation for a period of more than 30 days (an "Order") that was issued while the individual was acting in such capacity; or
 - (ii) an Order after the individual ceased to act in such capacity and which resulted from an event that occurred while the individual was acting in that capacity.
- (b) is or within the last 10 years has:
 - (i) been a director or executive officer of any company (including the Company) that, while the individual was acting in that capacity or within a year of such individual ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy/insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
 - (ii) within the last 10 years become bankrupt, made a proposal under any legislation relating to bankruptcy/insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets (either personally or via a personal holding company);

Mr. Simon Retter was a director of I-Med Group International Ltd, a private company incorporated in England & Wales that was engaged in the sale of advanced physiotherapy and beauty treatment devices to clinics. The directors voluntarily appointed liquidators in July 2020 as a result of poor prospects due to the collapse in the market in which it operated following the onset of the Covid 19 pandemic and the inability to sell its assets due to associated restrictions. The estimated outstanding debt of I-Med Group International Ltd. stood at £205,000 and the liquidation process is ongoing.

Mr. William (Bill) Fisher was non-Executive Chairman of Rame Energy PLC, a renewables energy company, with operations in UK and Chile, listed on the AIM in 2014. Following a failed attempt to raise new equity in the aftermath of the UK Brexit referendum, the directors of Rame Energy PLC were unable to secure sufficient new working capital to allow the business to continue to trade solvently. On August 4, 2016, the directors applied to the court to have an administrator appointed to allow the business to seek a financing solution. On September 30, 2016, the main operations of the group were sold to a group of international investors.

To the knowledge of the Company, no director or executive officer of the Company has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation, or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor.

Other than otherwise disclosed herein, no director of the Company is eligible to be elected under any arrangement between the director and any other party.

Conflicts of Interest

Under English law, a director of a company must, among other things, refrain from putting himself in a position in which his duty to the company and his personal interests may conflict. The Board is permitted under the Articles to authorise any such conflict. In addition, under applicable law and the Articles, a director who has an interest in a proposed transaction or arrangement with the Company must disclose his interest to the Board. Save as otherwise provided in the Articles, a director shall not vote in respect of any transaction or arrangement or any other proposal whatsoever in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company. A director shall not be counted in the quorum at a meeting in relation to any resolution from which he is debarred from voting. In the future, circumstances may arise where officers or members of the Board are directors or officers of corporations which are in competition with the interests of the Company. No assurances can be given that the opportunities identified by such Board members will be provided to the Company. See also "Risk Factors - Conflicts of Interest".

AUDIT COMMITTEE INFORMATION

The members of the Audit Committee of the Company are currently Dr. Owen Bavinton, Mr. William Fisher and Mr. Allan Walker. Each of the members of the Audit Committee are independent and financially literate within the meaning of applicable securities legislation. Each of the members of the Audit Committee are familiar with accounting principles, financial statements and financial reporting requirements as a result their previous experience which is summarised below.

David J. Hall, BA (Hons), MSc, Fellow SEG, PGeo Non-Executive Chairman

Mr Hall is a graduate in geology from Trinity College Dublin and holds a Masters Degree in mineral exploration from Queen's University, Kingston, Ontario. He has over 30 years of experience in the exploration and mining sector and has worked on and assessed exploration projects and mines in over 40 countries. From 1992, Mr Hall was Chief Geologist for Minorco SA, responsible for Central and Eastern Europe, Central Asia and the Middle East. He moved to South America in 1997 as a consultant geologist for Minorco South America and subsequently became exploration manager for AngloGold South America in 1999, where he was responsible for exploration around the Cerro Vanguardia gold mine in Argentina, around the Morro Velho and Crixas mines in Brazil and establishing the exploration programme that resulted in the discovery of the La Recantada gold deposit in Peru as well as certain joint ventures in Ecuador and Colombia. In April 2002, Mr Hall became an executive director of Minmet and operations director in September 2002. Mr Hall led the divestment of Minmet's exploration assets in the Dominican Republic into GoldQuest Mining Corporation, which is listed on the TSX Venture Exchange. Mr Hall is also founder of Stratex International plc and Erris Resources plc both AIM traded companies. Former now trades as Oriole Resources plc and latter as Zinnwald Lithium plc. Mr Hall is a fellow of the Society of Economic Geologists and EuroGeol.

Allan M. Walker, MA, Non-Executive Director

Mr. Walker has over 30 years of experience in investment banking and funds management, primarily focussed on energy sector project finance and private equity, particularly in emerging markets. He has extensive contacts in the renewable energy sector worldwide, as well as with governments, multilateral agencies and regional development banks. Mr Walker is currently a consultant with UK Trade and Investment, where he is Head of Project Finance on the Institutional Investment and Infrastructure team, focusing on attracting foreign direct investment into UK energy and infrastructure projects. Previously he was with Masdar Capital in Abu Dhabi, as Executive Director, responsible for managing the third party private equity funds management business for Masdar, the Abu Dhabi government's clean energy and sustainability company. Prior to that he founded (in 2005) and ran a similar private equity fund for Black River Asset Management (UK) Limited, an indirectly held subsidiary of Cargill Inc. Prior to Black River, Mr. Walker was head of power and infrastructure in London for Standard Bank Plc, a world leader in emerging markets resource banking. Mr. Walker was also previously a director in the Global Energy and Project Finance Group of Credit Suisse First Boston in London and ran the energy group at CSFB Garantia in Sao Paulo, Brazil from 1998 to 2001, where he spent seven years covering Latin America. He also spent three years in the energy group of ING Barings in New York. Mr. Walker graduated with an MA in economic geography from Cambridge University in 1982 and received his financial training on a one year residential training programme with JP Morgan in New York in 1983. He speaks Portuguese and Spanish.

William Fisher, P. Geo, Non-Executive Director

Mr Fisher graduated as a geologist in 1979 and has extensive industry experience which has included a number of residential posts in Africa, Australia, Europe and Canada in both exploration and mining positions. Under his leadership, Karmin Exploration discovered the Aripuanã base metal sulphide deposits in Brazil. From 1997 to 2001 Mr Fisher was Vice President, Exploration for Boliden AB, a major European mining and smelting company where he was responsible for thirty five projects in nine countries. From 2001 to 2008, Mr Fisher led GlobeStar Mining Corp. from an exploration company to an emerging base metal producer in the Dominican Republic which developed and operated the Cerro de Maimon mine until it was sold to Perilya for USD 186 million. Mr Fisher was also Chairman of Aurelian Resources which was acquired by Kinross in 2008 for USD 1.2 Billion after the discovery of the Fruta del Norte gold deposit in Ecuador. Mr Fisher currently serves as Executive Chairman of Goldquest Mining Corp. (TSX: GCQ), independent director of Treasury Metals Inc. (TSX: TML).

Owen A Bavinton BSc (Hons), MSc, DIC, PhD, Non-Executive Director

Dr Bavinton graduated from the University of Queensland in Geology in 1969 and holds a Masters Degree in Mineral Exploration from Imperial College, London and a PhD in Economic Geology from ANU, Canberra, Australia. He has over 40 years of varied international experience in the mineral exploration and mining sector in several commodities. After brief periods as a junior consultant and an underground mine geologist on a Witwatersrand gold mine, from 1974 to 1985 he had several positions with Western Mining Corporation ('WMC'), finally as director of WMC's activities in Brazil. From 1986 to 1992 he was Chief Executive Officer of Aredor Guinea SA. In 1992 he joined the Anglo American Group where he stayed until his retirement in 2010. Based initially in Turkey and then in Budapest, he was responsible for Anglo American's exploration and project evaluation activities in the FSU, Central Europe and the Middle East. He moved to London in 1998, initially as Head of Exploration for Minorco, and later Group Head of Exploration and Geology for the Anglo American Group. In those roles he was responsible for worldwide

exploration and geosciences covering a range of exploration projects through all stages of development, including advanced projects and feasibility studies, as well as providing geoscience input into numerous acquisitions. He is a fellow of the Society of Economic Geologists, the Association of Applied Geochemists and the Institute of Materials, Mining and Metallurgy. Dr Bavinton is currently an independent consultant.

Responsibilities of the Audit Committee

The Audit Committee reviews the Company's annual and interim financial statements before submission to the Board for approval. The Audit Committee also reviews regular reports from management and the external auditors on accounting and internal control matters. When appropriate the Audit Committee monitors the progress of action taken in relation to such matters.

For a description of the responsibilities of the Audit Committee, please refer to Schedule "A" attached hereto.

Audit Fees

The following chart summarizes the aggregate fees billed by the external auditors of the Company for professional services rendered to the Company (on a consolidated basis) during the fiscal years ended 31 December 2020 and 31 December 2019 for audit and non-audit related services:

Type of Work	Year Ended 2020 £ (excluding VAT)	Year Ended 2019 £ (excluding VAT)
Audit fees ⁽¹⁾	74,700	58,200
Audit-related fees ⁽²⁾	-	-
Tax advisory fees ⁽³⁾	35,244	48,563
All other fees	-	-
Total	109,944	106,763

Notes:

- (1) Aggregate fees billed for the Company's consolidated annual financial statements and services normally provided by the auditor in connection with the Company's statutory and regulatory filings.
- (2) Aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's consolidated financial statements and are not reported as "Audit fees".
- (3) Aggregate fees billed for tax compliance, advice, planning and assistance with tax for specific transactions.

AUDITOR

BDO LLP is the current auditor of the Company, and was first appointed as auditor of the Company on 11 May 2016.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Group has received a claim from various trade union organisations in Brazil regarding outstanding membership fees due in relation to various subsidiaries within the Group. Some of these claims relate to periods prior to the acquisition of the relevant subsidiary and would be covered by warranties granted by the previous owners at the date of sale. The Directors are confident that no amounts are due in relation to these proposed membership fees and that the claims will be unsuccessful. No subsequent actions, claims or communications from the various trade union organisations have been received subsequent to the requests for payment. As a result, no provision has been made in the Financial Statements for the year ended 31 December

2020 for amounts claimed. Should the claim be successful, the maximum amount payable in relation to fees not subject to the warranty agreement would be approximately £64,000.

In 2013 the Group received an infraction notice from the Brazilian Environmental Agency's (IBAMA) district office in Conceição do Araguaia in connection with carrying out drilling activities in 2011 without the relevant permits. Drilling equipment was furthermore impounded. The Group strongly believes that it operated with all necessary permits and has initiated legal proceedings to overturn the infraction notice. The Group has secured cancellation of the injunction and has appealed the associated fine and infraction notices of approximately £68,000.

In December 2014, the Group received a writ from the State Attorney in Conceição do Araguaia regarding alleged environmental damages caused by drilling activities in 2011. To ensure proper environmental stewardship, the Group conducts certified baseline studies prior to all drill programmes and ensures that areas explored are properly maintained and conserved in accordance with local environmental legislation. After drilling has occurred, drill sites and access routes are rehabilitated to equal or better conditions and evidence is retained to demonstrate that such rehabilitation work has been completed. In January 2015, the Group filed a robust defence against the writ. A court hearing was held in May 2015 at which documents were requested to confirm that valid environmental authorisations were in place. These were subsequently submitted as requested. No substantive financial claim continues to be made against the Group under the terms of the writ. The Group continues to believe that the writ is flawed and is working towards having it withdrawn in due course. As a result no provision has been made in the Financial Statements for the year ended 31 December 2020.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed elsewhere in this Annual Information Form, no director, executive officer or principal shareholder of the Company, or any associate or affiliate of the foregoing, has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year prior to the date of this Annual Information Form that has materially affected or will materially affect the Company.

TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar is Computershare Investor Services Inc. of 100 University Avenue, 9th Floor, Toronto, Ontario M5J 2Y1.

The Company's principal share registry is Computershare Investor Services (Ireland) Limited at Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Republic of Ireland.

MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company or another member of the Company: (i) within the two years immediately preceding the date of this document and are, or may be, material; or (ii) at any time and contain provisions under which the Company has an obligation or entitlement which is material to the Company at the date of this AIF:

Orion Mine Finance Royalty Agreement ("Royalty Agreement")

On 29 August 2019, the Company and certain of its subsidiaries entered into a royalty funding arrangement with OMF Fund III (MG) Ltd. (also known as Orion Mine Finance) ("**OMF**") and Nickel Production Services B.V. as the grantor, securing a gross upfront payment of US\$25 million

before fees in exchange for a royalty, the rate being in a range from 2.25% to 3.00% and determined by the date of funding and commencement of major construction.

The royalty is paid over the first approximately 426,000 tonnes of nickel produced from the Araguaia Ferronickel project. The Royalty Agreement has certain provisions that enable the grantor, following the commencement of commercial production, to purchase 50% of the royalty back from OMF at a pre-determined rate.

The agreement also includes provisions that allow for a call and put option held by OMF and the Company that under certain scenarios and following a change of control an amount between 50-100% of the royalty may be bought back or sold to the Company at a pre-determined price.

The royalty is linked to production and therefore does not become payable until the project is constructed and commences commercial production.

Asset Purchase Agreement to Acquire GAP ('Asset Purchase Agreement')

On 28 September 2015 the Company announced that it had reached agreement to indirectly acquire GAP through wholly owned subsidiaries in Brazil.

Pursuant to the Asset Purchase Agreement between, amongst others, the Company and Xstrata Brasil Exploração Mineral Ltda ('**Xstrata**'), a wholly-owned subsidiary of Glencore Canada Corporation ('**Glencore**'), the Company agreed to pay a total consideration of US\$8 million to Xstrata, which holds the title to GAP. The consideration is to be paid according the following schedule;

- US\$2,000,000 in ordinary shares in the capital of the Company (the "**Initial Consideration Shares**"), split between the Serra da Tapa and Pau Preto (together: '**SdT**') and VdS deposit areas and payable on the relevant closing date for such deposit area. The closing date is linked to the date on which the Company or a subsidiary of it is registered as holder of such deposit areas by the National Department of Mineral Production of Brazil ('**DNPM**'), the deadline for which can be extended after 6 months at the option of the Company for a period of up to a year from the date of the signing of the Asset Purchase Agreement. The transfer of the mineral concession for the VdS deposit area from Xstrata was completed in November 2015 and following approval received at a general meeting of its shareholders convened on 25 November 2015, Initial Consideration Shares to the value of US\$660,000 were issued to Xstrata. As at 31st December 2015, the registration of the transfer of the mineral concession for the SdT deposit area from Xstrata to a subsidiary of the Company had not been completed by the DNPM. Should this take place within the deadlines outlined above, at the time of closing the Company will issue the Initial Consideration Shares to Xstrata to the value of US\$1,340,000 at a price per Initial Consideration Share equal to the 5 day volume weighted average share price on AIM taken on the business day prior to the relevant closing. As such no provision has been made until such time as registration of the transfer has been completed.
- US\$1,000,000 after the date of issuance of a joint feasibility study for the combined Araguaia & GAP project areas, to be satisfied in ordinary shares in the Company (at the 5 day volume weighted average price taken on the tenth business day after the date of such issuance) or cash, at the election of the Company; and
- The remaining US\$5,000,000 consideration will be paid in cash, as at the date of first commercial production from any of the resource areas within the Araguaia or GAP areas.

The SdT deposit area concessions are subject to on-going litigation with a Brazilian third party. Glencore has disputed these claims. The parties have agreed certain protections including the receipt by HZM from Glencore of certain indemnities in respect of such litigation.

The Asset Purchase Agreement contains customary warranties regarding GAP and the parties' ability to enter into the Asset Purchase Agreement, which is subject to customary termination rights and confidentiality obligations.

Asset Purchase Agreement to Acquire Vermelho ('Asset Purchase Agreement')

On 19 December 2017 the Company announced that it had reached agreement to indirectly acquire Vermelho through wholly owned subsidiaries in Brazil.

Pursuant to the Asset Purchase Agreement between, amongst others, the Company and a wholly-owned subsidiary of Vale S.A ('Vale'), the Company agreed to pay a total consideration of US\$8 million to Vale, which holds the title to Vermelho. The consideration is to be paid according the following schedule;

- US\$150,000 in cash (the "**Initial Cash Consideration**");
- US\$1,850,000 in cash payable on the second anniversary of the signing of the Asset Purchase Agreement; and
- The remaining US\$6,000,000 in cash is payable within 30 days of first commercial sale of product from Vermelho.

In addition to the purchase price, the Company has granted a 1% Net Smelter Royalty ("NSR") to Vale on any nickel produced during the first 10 years of commercial production up to a maximum of 15,000 t/a, which then reduces to a 0.5% NSR thereafter.

As part of the acquisition of the Vermelho project, the Company will acquire Vale's rights under a mining licence application in respect of the project comprising an area covering 2,000 hectares. Further development of the Vermelho project will be subject, amongst other things, to the Company being granted the required mining licence and other customary licences and permits.

The Asset Purchase Agreement contains customary warranties regarding Vermelho and the parties' ability to enter into the Asset Purchase Agreement, which is subject to customary termination rights and confidentiality obligations.

Special Warrant Indenture

The Special Warrants were created pursuant to, and are governed by, the terms and conditions set forth in the Special Warrant Indenture. An aggregate of 88,060,100 Special Warrants are outstanding as of the date of this AIF. Subject to adjustment in certain instances as set out in the Special Warrant Indenture, each Special Warrant entitles its holder to receive, upon exercise or deemed exercise, one Ordinary Share. Each Special Warrant shall be deemed exercised and surrendered, without any further action or payment of additional consideration by the holder thereof on the Automatic Exercise Date (as defined in the Special Warrant Indenture), unless previously exercised by the holder.

The Company has agreed to use commercially reasonable efforts to file, and obtain a receipt for the Final Qualification Prospectus (as defined in the Special Warrant Indenture) on or before the Penalty Date (as defined in the Special Warrant Indenture). If the Company fails to qualify the distribution of the Underlying Shares in the Qualifying Jurisdictions (as defined in the Special

Warrant Indenture) on or prior to the Penalty Date, the holders of Special Warrants will be entitled to receive the Penalty Shares, and each Special Warrant will be exercisable for 1.1 Underlying Shares.

The Special Warrants rank *pari passu*, whatever may be the actual dates of issuance. The Special Warrant Indenture contains provisions for adjustment to the number of Underlying Shares issuable upon the exercise of the Special Warrants, including the amount and kind of securities or other property issuable upon exercise, upon the occurrence of certain stated events, including but not limited to any subdivision or consolidation of the Ordinary Shares, certain distributions of Ordinary Shares or securities exchangeable for or convertible into Ordinary Shares, certain offerings of rights, options or warrants and certain capital reorganizations. The adjustments provided for in the Special Warrant Indenture are cumulative and must be made successively whenever an event that triggers such adjustments occurs, subject to certain conditions.

The Special Warrant Indenture provides that the rights of holders of Special Warrants arising pursuant to the Special Warrant Indenture or otherwise may be modified by “**Extraordinary Resolution**” at a meeting of Special Warrant holders. The Special Warrant Indenture defines an “Extraordinary Resolution” as a resolution proposed to be passed as an extraordinary resolution at a meeting of the Special Warrant holders duly convened for that purpose and held in accordance with the provisions of the Special Warrant Indenture, and carried by not less than 66^{2/3}% of the votes cast on such resolution. A quorum at a meeting of Special Warrant holders must consist of at least two or more persons present virtually or physically and owning or representing by proxy not less than 25% of the aggregate number of the then outstanding Special Warrants. The resolutions and Extraordinary Resolutions duly passed by such holders of Special Warrant are binding on all holders of Special Warrants.

The Special Warrant Indenture provides that, from time to time, the Company and the Special Warrant Agent may, without the consent of the holders of Special Warrants, supplement the Special Warrant Indenture for certain purposes, including but not limited to: (i) giving effect to any Extraordinary Resolution; (ii) modifying the Special Warrant Indenture for any purpose not inconsistent with the provisions of the Special Warrant Indenture, provided that, in the opinion of counsel to the Special Warrant Agent, the rights of the holders of Special Warrants are in no way prejudiced thereby; and (iii) rectifying any ambiguities, defective provisions, errors, mistakes or omissions therein, provided that, in the opinion of the Special Warrant Agent, relying on the advice of counsel, the rights of the holders of Special Warrant are not prejudiced thereby.

Computershare Trust Company of Canada, at its principal offices in Toronto, Ontario, serves as Special Warrant Agent pursuant to the Special Warrant Indenture.

INTERESTS OF EXPERTS

Qualified Persons: Mr Frank Blanchfield, B.Eng, FAusIMM, Mr Andrew Ross, BSc (Hons), MSc, FAusIMM, Matheus Palmieri, BSc, MSc, MAusIMM CP(Geo), and Mr Nicholas Barcza, BSc (Eng.), MSc (Eng.), PhD, Pr.Eng. (ECSA), HLFSAIMM are the qualified persons responsible for the Amended Technical Report dated November 2018 (‘the Report’) prepared in accordance with NI 43-101 for the Project titled “Feasibility Study for the Araguaia Nickel Project, Federative Republic of Brazil” and prepared by Snowden Mining Industry Consultants Pty Ltd (‘Snowden’).

The FS has been prepared for the Company under the supervision of qualified persons within the meaning of National Instrument 43-101 Standards of Disclosure for Mineral Projects (NI 43-101). The FS was prepared by Snowden Mining Industry Consultants Pty Ltd.

Mr Andrew Ross, BSc (Hons), MSc, FAusIMM is the qualified person responsible for the Amended NI 43-101 Technical Report on the Serra do Tapa Project.

Qualified persons: Mr Anthony Finch, P Eng. (APEGBC), B.Eng, B Econ, MAusIMM (CP Mining), Principal Consultant, Snowden Mining Industry Consultants Pty Ltd; Mr Andrew Ross, BSc (Hons), MSc, FAusIMM, Principal Consultant, Snowden Mining Industry Consultants Pty Ltd; Simon Walsh, BSc (Extractive Metallurgy and Chemistry), MBA, MAusIMM (CP), GAICD, Principal Metallurgist, Stimulus (Engineers & Laboratories) Pty Ltd., are the qualified persons responsible for the Amended Technical Report dated October 2019 ('the Report') prepared in accordance with NI 43-101 for the Project titled "Pre-Feasibility Study for the Vermelho Nickel-Cobalt Project, Federative Republic of Brazil" and prepared by Snowden Mining Industry Consultants Pty Ltd ('Snowden').;

None of the aforementioned persons held securities of the Company or of any associate or affiliate of the Company when they prepared the Amended Technical Report referred to herein, or following the preparation of such report, and did not receive any direct or indirect interest in any securities of the Company or of any associate or affiliate of the Company in connection with the preparation of such report. None of the aforementioned firms or persons, nor any directors, officers or employees of such firms, is currently, or is expected to be elected, appointed or employed as, a director, officer or employee of the Company or of any associate or affiliate of the Company.

BDO LLP is the auditor of the Company and is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of England and Wales.

ADDITIONAL INFORMATION

Additional information relating to the Company, including the audited financial statements of the Company for the fiscal years ended 31 December 2020, 31 December 2019 and 31 December 2018, together with the auditor's report and management's discussion and analysis in respect thereof for its most recently completed financial year, is available on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and options to purchase securities authorized for issuance under the Company's stock option plans is contained in the Company's Management Information Circular dated 7 April 2020 and prepared for its most recent annual meeting of shareholders.

**SCHEDULE A -
AUDIT COMMITTEE TERMS OF REFERENCE**

MEMBERSHIP

1. The committee shall be appointed by the board, in consultation with the chairman of the audit committee, and shall consist of a minimum of two members.
2. At least three members of the committee shall be independent non-executive directors, at least one of whom shall have recent and relevant financial experience.
3. Only members of the committee have the right to attend committee meetings. However, other individuals such as the chairman of the board, chief executive, chief financial officer, other directors, the heads of risk, compliance and internal audit and representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate.
4. The external auditors will be invited to attend meetings of the committee on a regular basis.
5. Appointments to the committee shall be for a period of up to two years, which may be extended for two further three-year periods, provided the director remains independent.
6. The board shall appoint the chairman of the committee. In the absence of the chairman and/or an appointed deputy, the remaining members present shall elect one of their number to chair the meeting.
7. If a regular member is unable to act due to absence, illness or any other cause, the chairman of the committee may appoint another independent non-executive director of the company to serve as an alternate member.

SECRETARY

The company secretary or his nominee shall act as the secretary of the committee.

QUORUM

The quorum necessary for the transaction of business shall be two members. A duly convened meeting of the committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in Or exercisable by the committee.

FREQUENCY OF MEETINGS

The committee shall meet not less than once per year at the appropriate time in the reporting and audit cycle and at such other times as may be required.

NOTICE OF MEETINGS

8. Meetings of the committee shall be summoned by the secretary of the committee at the request of any of its members or at the request of external or internal auditors if they consider it necessary.
9. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed shall be forwarded to each member of the committee, any other person required to attend and all other non-executive directors not less than five working days prior to the date of the meeting. Supporting papers shall

be sent to members of the committee, and to other attendees as appropriate, at the same time.

MINUTES OF MEETINGS

10. The secretary shall prepare minutes of the proceedings and resolutions of all meetings of the committee, including recording the names of those present and in attendance.
11. The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
12. Minutes of committee meetings shall be circulated promptly to all members of the committee and, once agreed, to all members of the board.

ANNUAL GENERAL MEETING

The chairman of the committee shall attend the Annual General Meeting and shall be prepared to respond to any questions from shareholders concerning the committee's activities.

DUTIES

The committee should carry out the duties below for the parent company, major subsidiary undertakings and the group as a whole, as appropriate.

FINANCIAL REPORTING

13. The committee shall monitor the integrity of the financial statements of the company, including its annual and interim reports, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain. The committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature.
14. The committee shall review and challenge where necessary:
 - (a) the consistency of, and any changes to, accounting policies both on a year on year basis and across the company/group;
 - (b) the methods used to account for significant or unusual transactions where different approaches are possible;
 - (c) whether the company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - (d) the clarity of disclosure in the company's financial reports and the context in which statements are made; and
 - (e) all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management);

INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS

The committee shall:

15. keep under review the effectiveness of the company's internal controls and risk management systems; and
16. review and approve the statements to be included in the Annual Report concerning internal controls and risk management.'

WHISTLEBLOWING

The committee shall review the company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

INTERNAL AUDIT

The committee shall:

17. monitor and review the effectiveness of the company's internal audit function in the context of the company's overall risk management system;²
18. approve the appointment and removal of the head of the internal audit function;
19. consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards. The committee shall also ensure the function has adequate standing and is free from management or other restrictions;
20. review and assess the annual internal audit plan;
21. review promptly all reports on the company from the internal auditors;
22. review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and
23. meet the head of internal audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the chairman of the board and to the committee.

EXTERNAL AUDIT

The committee shall:

24. consider and make recommendations to the board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the company's external auditor. The committee shall oversee the selection process for new auditors and if an auditor resigns the committee shall investigate the issues leading to this and decide whether any action is required;
25. oversee the relationship with the external auditor including (but not limited to):
 - (a) approval of their remuneration, whether fees for audit or non-audit services, and that the level of fees is appropriate to enable an adequate audit to be conducted;

- (b) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - (c) assessing annually their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
 - (d) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the company (other than in the ordinary course of business);
 - (e) agreeing with the board a policy on the employment of former employees of the company's auditor, then monitoring the implementation of this policy;
 - (f) monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the company compared to the overall fee income of the firm, office and partner and other related requirements; and
 - (g) assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
26. meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit;
27. review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
28. review the findings of the audit with the external auditor. This shall include, but not be limited to, the following:
- (a) a discussion of any major issues which arose during the audit;
 - (b) any accounting and audit judgements; and
 - (c) levels of errors identified during the audit;
29. review the effectiveness of the audit;
30. review any representation letter(s) requested by the external auditor before they are signed by management;
31. review the management letter and management's response to the auditor's findings and recommendations; and
32. develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

TERMS OF REFERENCE

The committee shall make available its terms of reference explaining clearly its role and the authority delegated to it by the board.

REPORTING RESPONSIBILITIES

33. The chairman of the committee shall report formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities.
34. The committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.
35. The committee shall compile a report to shareholders on its activities to be included in the company's Annual Report.

OTHER MATTERS

The committee shall:

36. have access to sufficient resources in order to carry out its duties;
37. give due consideration to laws and regulations, the provisions of the Combined Code and the requirements of the AIM Rules as appropriate;
38. oversee any investigation of activities which are within its terms of reference; and
39. at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.

AUTHORITY

The committee is authorised by the board:

40. to seek any information it requires from any employee of the company in order to perform its duties;
41. in connection with its duties to obtain, at the company's expense, any outside legal or other professional advice; and
42. to call any employee to be questioned at a meeting of the committee as and when required.